Birkbeck,
University of London

# Financial Statements

for the year ended 31 July 2018

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## OFFICERS OF THE COLLEGE AND SENIOR MANAGEMENT 2017/18

### PRESIDENT
Baroness Joan Bakewell DBE

### VICE-PRESIDENT
The Right Honourable the Lord Mayor of London

### CHAIR OF GOVERNORS
Sir Harvey McGrath

### SENIOR MANAGEMENT OF THE COLLEGE

### MASTER
Professor David Latchman

### VICE-MASTER
Professor Matthew Innes

### PRO-VICE MASTERS
PVM Education: Professor Diane Houston
PVM Research: Professor Julian Swann
PVM Enterprise and Innovation: Professor Philip Powell
PVM International: Professor Stephen Frosh (to September 2017), Professor Kevin Ibeh (from October 2017)
PVM Access and Community Engagement: Dr Roz Dixon

### EXECUTIVE DEANS
School of Arts: Professor Hilary Fraser (to December 2017), Professor Anthony Bale (from January 2018)
School of Business, Economics and Informatics: Professor Philip Powell
School of Law: Professor Stewart Motha
School of Science: Professor Nicholas Keep
School of Social Sciences, History and Philosophy: Professor Matthew Davies

### SECRETARY AND CLERK TO THE GOVERNORS
Mr Keith Harrison

### DIRECTOR OF FINANCE
Mr Keith Willett

### ACADEMIC REGISTRAR
Mr Fraser Keir

### DIRECTOR OF HUMAN RESOURCES
Ms Charlotte Croffie

## MEMBERSHIP OF COMMITTEES 2017/18

### THE GOVERNING BODY

| | |
|---|---|
| Chair of Governors | Sir Harvey McGrath |
| Deputy Chair | Ms Liz Meek |
| Academic Board governors: | Professor Alison Finlay |
| | Dr Jennifer Baird |
| Academic staff governors: | Dr Eddie Bruce-Jones |
| | Professor Joanne Leal |
| Non-teaching staff governor | Ms Rose Devaney (to June 2018) |
| Student governors: | Mr Nicholas Baker |
| | Mr Eli Goldsobel |
| Alumnus governor | Ms Octavia Bell (to January 2018) |
| Independent governors: | Mrs Julia Collins |
| | Mr Hugh Ferrand |
| | Mr Peter Zinkin |
| | Mr Robert Allison |
| | Mr Clive Birch |
| | Ms Gillian Broadley |
| | Ms Cindy Leslie |
| | Mr Simon Davis |
| | Mr Eric Salama |
| Ex-Officio governors who are also officers of the College: | |
| The Master | Professor David Latchman |
| The Vice-Master | Professor Matthew Innes |
| In attendance: | |
| The College Secretary and Clerk to the Governors | Mr Keith Harrison |
| The Director of Finance | Mr Keith Willett |
| The Deputy College Secretary (Governance) | Mrs Katharine Bock |
| The Pro Vice-Master - Research | Professor Julian Swann (from March 2018) |
| The Pro Vice-Master - Education | Professor Diane Houston (from March 2018) |

### FINANCE AND GENERAL PURPOSES COMMITTEE

| | |
|---|---|
| Chair | Mr Hugh Ferrand |
| The Master | Professor David Latchman |
| The Vice-Master | Professor Matthew Innes |
| The Chair of Governors | Sir Harvey McGrath |
| Academic governors: | Professor Joanne Leal |
| | Dr Eddie Bruce-Jones |
| Non-teaching staff governor | Ms Rose Devaney |
| Student governor | Mr Nicholas Baker |
| Independent governors: | Mr Peter Zinkin |
| | Mr Robert Allison |
| | Ms Gillian Broadley |
| Co-opted external member | Mr Rob McWilliam |
| In attendance: | |
| The College Secretary and Clerk to the Governors | Mr Keith Harrison |
| The Director of Finance | Mr Keith Willett |
| The Director of Human Resources | Ms Charlotte Croffie |
| The Academic Registrar | Mr Fraser Keir |
| The Deputy College Secretary (Governance) | Mrs Katharine Bock |

## MEMBERSHIP OF COMMITTEES 2017/18 (continued)

### FINANCE AND GENERAL PURPOSES COMMITTEE (continued)

| | |
|---|---|
| The Deputy College Secretary (Operations) | Ms Megan Reeves |
| The Director of Estates | Mr Jeremy Tanner |

### NOMINATIONS COMMITTEE

| | |
|---|---|
| The Chair of Governors | Sir Harvey McGrath |
| The Deputy Chair of Governors | Ms Liz Meek |
| The Master | Professor David Latchman |
| Academic governors: | Dr Eddie Bruce-Jones |
| | Professor Joanne Leal |
| Student governor | Mr Nicholas Baker |
| Independent governors: | Mr Robert Allison |
| | Ms Cindy Leslie |
| In attendance: | |
| The College Secretary and Clerk to the Governors | Mr Keith Harrison |
| The Deputy College Secretary (Governance) | Mrs Katharine Bock |

### REMUNERATION COMMITTEE

#### Panel A – remuneration of the Master

| | |
|---|---|
| The Deputy Chair of Governors | Ms Liz Meek (Chair) |
| The Chair of Governors | Sir Harvey McGrath |
| Chair of the Finance and General Purposes Committee | Mr Hugh Ferrand |
| Independent governors: | Mr Clive Birch |
| | Mr Peter Zinkin |
| In attendance: | |
| The College Secretary and Clerk to the Governors | Mr Keith Harrison |

#### Panel B – remuneration of professorial and other senior postholders

| | |
|---|---|
| The Chair of Governors | Sir Harvey McGrath |
| The Deputy Chair of Governors | Ms Liz Meek |
| Chair of the Finance and General Purposes Committee | Mr Hugh Ferrand |
| Independent governors: | Mr Clive Birch |
| | Mr Peter Zinkin |
| The Master | Professor David Latchman |
| In attendance: | |
| The Director of Human Resources | Ms Charlotte Croffie |

### AUDIT COMMITTEE

| | |
|---|---|
| Chair | Mrs Julia Collins |
| Independent governors: | Ms Cindy Leslie |
| | Mr Clive Birch |
| By invitation: | |
| The Master | Professor David Latchman |
| In attendance: | |
| The College Secretary and Clerk to the Governors | Mr Keith Harrison |
| The Director of Finance | Mr Keith Willett |

## MEMBERSHIP OF COMMITTEES 2017/18 (continued)

### AUDIT COMMITTEE (continued)

| | |
|---|---|
| The Deputy Director of Finance | Ms Aarti Rayrella |
| The Deputy College Secretary (Governance) | Mrs Katharine Bock |
| The Deputy College Secretary (Operations) | Ms Megan Reeves |
| The Internal Auditor (Knox Cropper) | Mr Kevin Lally |
| The External Auditor (KPMG) | Mr Neil Thomas |

### STRATEGIC PLANNING COMMITTEE

| | |
|---|---|
| Chair | Professor David Latchman |
| The Vice-Master | Professor Matthew Innes |
| The Pro-Vice-Masters: | |
| Education | Professor Diane Houston |
| Research | Professor Julian Swann |
| International | Professor Stephen Frosh, Professor Kevin Ibeh |
| Enterprise and Innovation | Professor Philip Powell |
| The College Secretary and Clerk to the Governors | Mr Keith Harrison |
| The Deputy College Secretary (Governance) | Mrs Katharine Bock |
| The Deputy College Secretary (Operations) | Ms Megan Reeves |
| The Director of Finance | Mr Keith Willett |
| The Director of Human Resources | Ms Charlotte Croffie |
| The Academic Registrar | Mr Fraser Keir |
| The Director of Planning | Mr Nick Head |
| The Director of External Relations | Ms Lynn Grimes |
| The Director of Alumni and Development | Mr Chris Murphy |
| The Director of Estates | Mr Jeremy Tanner |
| The Policy Advisor | Mr Jonathan Woodhead |
| The Executive Deans: | |
| School of Arts | Professor Hilary Fraser, Professor Anthony Bale |
| School of Business, Economics & Informatics | Professor Philip Powell |
| School of Law | Professor Stewart Motha |
| School of Science | Professor Nicholas Keep |
| School of Social Sciences, History and Philosophy | Professor Matthew Davies |

## MISSION STATEMENT

The **principal aims** of Birkbeck are to:

- Provide flexible and part-time higher education courses which meet the changing educational, cultural, personal and career needs of students of all ages; in particular those who live or work in the London region;

- Enable adult students from diverse social and educational backgrounds to participate in our courses;

- Make available the results of research, and the expertise acquired, through teaching, publication, partnerships with other organisations and the promotion of civic and public debate;

- Maintain and develop excellence in research and provide the highest quality research training in all our subject areas.

The **key supporting objectives** are to:

- Offer our students an integrated range of flexible, research-led courses across all levels of provision;

- Achieve and maintain strong research cultures in support of interdisciplinary work in each school and faculty;

- Ensure the College provides an inclusive working and learning environment for its students and staff so that all may develop to their full potential;

- Develop the College’s capacity to respond rapidly to new and changing opportunities in higher and further education;

- Develop sustainable partnerships within the London region and beyond.

# Master's Report

## Operating environment

Birkbeck provides access to degree education for working Londoners. Our teaching takes place in the evening with a consequence that most of our students are mature and have jobs, caring or other responsibilities during the day. We have a heritage as a specialist provider of part-time education; however, with the advent of the ELQ policy and the 2012 funding changes, we have seen significant shifts in our student profile. Our part-time undergraduate population has contracted by over 60% in line with much of the sector. The launch of our full-time degrees from 2010 compensated for this decline and the College now has around 2,900 full time equivalent (FTE) full-time undergraduates (from around zero in 2009) and 2,900 FTE part-time undergraduates (source: HESA 2016). During this transition the College remained true to its mission with teaching still taking place in the evening and access being available to all. 25% of part-time entrants at Birkbeck had either level 2 (equivalent to GCSE) or lower entry qualifications in 2016/17 and 83% of full-time entrants had low tariff or non-tariffable qualifications (source: Birkbeck TEF2 metrics). 42% of full-time students had a household income of under £25,000 and 64% of part-time students had a household income of under £40,000 (source: applications for Birkbeck bursary scheme 2017/18).

Following a number of years of healthy surpluses, exceeding 5% of turnover each year since 2010, the College made a deficit of £0,5 million in 2017/18 (after adjusting for a one-off equipment grant) and is budgeting for an underlying deficit again in 2018/19. The main cause of this was a significant fall in EU students in 2017/18: we recruited 300 headcount fewer EU students in 2017/18 than in 2016/17. This effect is largely limited to EU students already living in London whilst we have seen an increase in demand from EU students living on the continent. We believe that this is a direct result of Brexit related uncertainty over employment and residency.

The introduction of the postgraduate loan in 2016/17 saw an increase of 34% in recruitment of new Masters students at Birkbeck compared with 19% in England as a whole. Our model enables people who are already in work to study without giving up their job and the loan has proved to be an enabler for this market. This growth position was largely consolidated in 2017/18. The UK Commission for Employment and Skills (UKCES) has forecast that the number of Londoners qualified with 'Other higher degree' (mainly Masters) will increase by a third by 2022 and the population of London qualified with a First Degree – i.e. the potential market for Masters - is projected to increase by 13%. Postgraduate programmes will remain a key focus for our recruitment strategy.

In addition to this, we launched a Degree with Foundation Year in 2017/18. Despite being launched part-way through the admissions cycle we recruited 163 students into the first cohort and anticipate growth as all four cohorts are filled. We will extend the Degree with Foundation Year offering across all five Schools in 2018/19.

Since 2010/11 international undergraduate students at Birkbeck have increased from near zero to a 0.5% share of the London market. This is still well below our share of the total London full-time undergraduate market at 1.3%. In 2017/18, international postgraduate students at Birkbeck increased by 15% to 300 FTE. This is as a result of carefully targeted marketing efforts including tactical use of scholarship schemes. We also invested further in the international marketing team to increase recruitment from our most promising markets. Birkbeck is a major provider of Masters programmes to the Home-EU market being the 6th largest provider by headcount in the UK equating to 2.2% of the London market. By contrast, we have 1% of the equivalent market for international students. Our impressive research reputation and University of London brand should enable us to recruit significantly more international students to Masters programmes and this is a strategic objective for the coming years.

Against the backdrop of falling student numbers in 2017/18, increased competition from a more open higher education market, risks associated with Brexit, the uncertain outcome of a government post-18 review and increased cost pressures, particularly around pensions, we have had to develop a plan which returns us to a position of surpluses and financial sustainability.

Our institutional strategy commits us to a series of investments designed to improve the quality of our core teaching and research activities and to modernise our material and organisational infrastructure. Cumulatively the goal is to ensure that we keep true to our unique mission and look and perform at a level in keeping with our reputation for excellence.

Crucial strands of this strategy are:

- Student experience review implementation, ensuring that our diverse student body is properly supported to succeed resulting in strong NSS and TEF outcomes;
- Estates strategy for expansion and modernisation of the estate, addressing longstanding issues about teaching space and delivering appropriate research facilities;
- Improved research support infrastructure to cement our place in the top tranche of research intensive institutions at the REF.

Financially, tuition fee income is and will remain our key income stream and due to our mode and mission we are far more dependent on tuition fee income than most of our peers with it representing over 60% of our turnover. To deliver this strategy we need to return as quickly as possible to a student body of around 10,500 FTE. In 2017/18 our student body totalled 8,815 FTE compared to 9,164 FTE in 2016/17. Recruitment in 2018/19 looks more positive than in 2017/18 but on forecast rates of student number growth it will take us at least another year to recover the lost numbers, with several years further expansion beyond that needed to deliver the level of student recruitment needed to ensure financial sustainability.

None of our three key institutional goals are self-funding. All require upfront investment and the primary gains are in terms of depth and quality and in moving the experience of students and staff on to a par with the comparator institutions against which we benchmark ourselves. Whilst in the long term there will be financial gains - directly through improved retention and research funding and indirectly as a result of reputational impact – these will not be at a level that in and of itself sustains a higher equilibrium.

When we compare our financial profile to that of obvious comparators (medium institutions with turnover of £100 to 250 million, top quartile research ambitions and at or close to TEF gold) we are at the small end of such institutions. Owing to our London location we have higher cost pressures especially relating to estates and staff. Furthermore, our unique mode and student body adds major complexity and inflexibility to our underlying business model. Provision at the heart of a capital city, predominantly delivered in the evening to allow students to pursue other activities in the day, compresses our core income-generating teaching activity into 15 hours a week in term time. Our students also have more and more complex needs which must be addressed.

More fundamentally, in addition to tuition fee and income, our benchmark competitors currently have significant additional income streams, primarily through campus/facility related income and through knowledge transfer/spin off/commercialisation activities. As we have neither residences nor a science park/innovation hub, we lack these income streams.

## OPERATING AND FINANCIAL REVIEW (continued)

These comparisons do indicate that in order to function at a higher equilibrium we need to generate additional income streams of our own. Whilst growth based on our existing portfolio is an important part of any recovery plan we also need to spread risk by investing in growth across a range of initiatives.

To do so, we have looked back to our unique mission and unrivalled location and attempted to turn them to our advantage rather than see them solely as drivers of increased cost and complexity. As an institution embedded in the social fabric of a metropolis we are seeking to generate additional activity and income streams aligned with the needs of London's culture, economy and society.

In tandem with developing additional income streams and increasing student numbers we must also closely manage our staff cost base. We are committed to maintaining promotion and recruitment processes which develop and reward talent. We are also making interventions in relation to our equalities and diversity strategy and looking to integrate and support teaching and scholarship staff who are currently on sessional contracts (some on an open-ended basis as part of an ongoing role, others in response to specific and non-recurrent needs). In this context the adoption of an expectations and workload framework for academic staff, alongside compulsory appraisal/review, is a significant development which enables us to ensure that we are using our resources effectively.

The issues of complexity, and the incremental layering of new activities onto pre-existing structures as the College has sought to rapidly adapt, identified in relation to teaching is also true for the College's professional and support services and School-based administrations. Whilst elements of this have been and are being tackled with focused reviews of specific processes, the current situation requires a more holistic externally supported review that focuses additionally on organisation, capacity, capability and resource that will inform service planning and delivery in this new climate. Cumulatively both the development trajectory we are proposing, and these initiatives, do constitute a significant level of organisational change.

In 2023 we will celebrate our 200th anniversary. In 1823 our philanthropist founder Dr George Birkbeck set out his vision:

> *'Now is the time for the universal benefits of the blessings of knowledge'*

This statement continues to underpin our mission and the connections we have made between, work, study, culture, research and society. In our third century we will continue to offer transforming educational opportunities, in the belief that there should be no barriers, financial, practical or otherwise, to the benefits of university education. Within an increasingly volatile operating environment, we will maintain and develop our distinctive research culture and contribution to science and society and we will create more and better space and facilities for all of our activities.

## Awards

Birkbeck provides its unique learning and teaching environment in the context of a research intensive, outward facing and publically engaged institution. It is pleasing to be able to report that Birkbeck staff, students and alumni continue to be acknowledged for their contribution in various fields and this year has been no exception. The following are examples of awards received during the year.

Martin Paul Eve, Professor of Literature, Technology and Publishing at Birkbeck, has been awarded the Medal of Honour in the Humanities and Social Sciences by KU Leuven in Belgium. The Medal of Honour is awarded to laureates of exceptional academic or social distinction who make a unique contribution to the mutual relationship between faculties and universities. Professor Eve is known for his higher education policy work around open access (OA) in addition to his research interests in contemporary American fiction, histories and philosophies of technology, and technological mutations in scholarly publishing. Professor Eve is one of the founding directors (together with Dr Caroline Edwards) of the Open Library of Humanities (OLH) - a non-profit publisher devoted to OA run by academics. He is also currently leading a major project into the peer review process, analysing its role in the research cycle to develop better ways of using expert opinion to assess and improve published research.

Two Birkbeck academics won awards for their books: Dr Matthew Champion won the Gladstone Prize, for his book The Fullness of Time: Temporalities of the Fifteenth-Century Low Countries and Professor Frank Trentmann was awarded the 2018 Austrian Science Prize for the best book in the humanities, social sciences and cultural studies for Herrschaft Der Dinge, the German edition of his title Empire of Things. The Gladstone prize is awarded by the Royal Historical Society to a solely written first book published in the UK on a historical subject which is not primarily about British history. The Austrian Science Prize was launched in 2007 by the Austrian Ministry of Education, Science and Research to recognise excellence in non-fiction writing. Professor Trentmann's book was shortlisted for its category by a jury of experts and won following a public vote across bookshops, libraries and on the prize's website.

Laura Mulvey, Professor of Film in the Department of Film, Media and Cultural Studies, was given an honorary degree from Yale University. The award was made at a ceremony attended by 10,000 people where Professor Mulvey was described as one of the great figures in the history of film theory. Her citation went on to say: "Lauded for her influential role in developing the field of feminist film theory, she has inspired generations of scholars at Yale and around the world."

Dr Sue Brooks from Birkbeck's Department of Geography won the Geographical Association (GA) Award for Excellence in Leading Geography. The award was voted on by members of the GA and given to the author of the article in each of the GA's journals that is felt to have made the most significant contribution to geographical teaching and learning. Her selected paper, Coastal resilience and vulnerability: storm impacts, extreme weather and regional variability in the UK, winter 2013–14, looked at the high-magnitude storms and the impact they caused in the west and south-west of the UK over the winter of 2013-14. A statement from the GA noted that the article "highlights how new technologies are being used to quantify some of the key coastal impacts of such events." The Geographical Association is a national organisation with over 5,000 members and is devoted to the dissemination of good practice in delivering the geography curriculum to schools.

Bill Bowring, Professor of Law, was conferred as a Fellow of the Academy of Social Sciences (AcSS), alongside 68 other leading social scientists. Professor Bowring is Director of the LLM/MA in Human Rights at Birkbeck and a leading expert in the UK on legal and human rights issues in Russia and the countries of the Former Soviet Union, and Eastern and Central Europe. His research is particularly interested in minority rights and international law, and is enriched by his practice as a barrister, through which he has taken many cases to the European Court of Human Rights against Azerbaijan, Estonia, Georgia, Latvia, Russia and Turkey. He has also frequently acted as an expert for the Council of Europe, OSCE, European Union, and United Nations, as well as advising the UK government.

Finally, President of Birkbeck Baroness Joan Bakewell DBE was elected as an Honorary Fellow of the British Academy. The British Academy is a community of over 1,400 of the leading minds that make up the UK's national academy for the humanities and social sciences. Professor Lynda Nead, Pevsner Chair of History of Art at Birkbeck, was made a Fellow of the Academy. They join a number of other members of College staff including Professor Joanna Bourke, Professor Marina Warner and Professor Mark Johnson.

## Estates

The main thrust of our estates strategy is to improve the quality of teaching and ancillary space, to co-locate student activity on our main campus in Torrington Square and to improve research facilities. Governors have approved the College Estate Strategy which determined that four projects were required to improve the quality of our research and teaching space and also to increase the amount of teaching space that was under the direct, or shared, control of the College.

A governance structure has been set up to oversee the projects including Project Boards (membership: internal clients, Estates staff, representatives from the external design teams, senior College staff and independent Governors) which feed in to Estates Committee (a sub-committee of Finance & General Purposes Committee). The structure aims to ensure that all aspects of each project are appropriately managed thereby ensuring that value for money is obtained, the building meets the needs of the client and budgets are not exceeded. Reports on major projects are also provided to each meeting of the Audit Committee to provide assurance that all risks are being appropriately managed.

For the past twenty years, the Centre for Brain and Cognitive Development's (CBCD) BabyLab has been investigating the psychological processes in infants' brains and they have uncovered major insights into child development. The BabyLab scientists have identified the earliest marker of autism in babies, examined the links between Down's syndrome and Alzheimer's disease and investigated the effects of screen time on babies as young as six-months-old. The first project to commence construction is a purpose built ToddlerLab to extend the research of CBCD to older children. Costing over £11 million the building project has received generous donations from the Wohl Foundation and the Woolfson Foundation.

The ToddlerLab will be equipped with sophisticated wireless technology which allows toddlers to be toddlers while tracking their brain activity and monitoring their behaviour. An example of the cutting-edge technology is a virtual environment known as the "CAVE" which simulates real-world surroundings, such as a farm or a supermarket, and monitors how toddlers' brain activity changes depending on the world around them. The CAVE and other equipment in the building has been supported by an innovative crowdfunding campaign, a significant donation from an alumnus of the College and an equipment grant from the Wellcome Trust. The ToddlerLab is scheduled to open in 2019/20.

In April 2018 the College received planning permission from the London Borough of Camden to renovate and extend a 1920's building, called Cambridge House, on Euston Road. London-based architect, Penoyre & Prasad, added a copper-clad two-storey lecture theatre to the top of the existing structure to create a flexible and high quality teaching space. The plans will also include a café and active learning space on the ground floor with a basement and teaching classrooms on the upper floors. The building will add around 440 square metres of additional teaching space to the College building portfolio providing capacity for over 600 students and staff.

In addition to the new building projects our long term cash flow forecast includes prudent estimates for: unspecified capital amendments to existing buildings; capital elements of our long term maintenance plan; replacement of existing combined heat and power system; and capital equipment. We do not expect to spend these funds in full but we are keen to ensure that the main building projects are affordable even in a scenario where significant additional capital funding was required.

### Gender pay gap

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the College was required to report gender pay data to the government for the first time in March 2018. The metrics used were based on data to 31 March 2017 and will be updated annually. The College undertakes a full pay audit periodically to provide analysis and recommendations in relation to reward and related management strategies, policies and practices across the institution. We support the principle of equal pay for work of equal value and are committed to operating a pay system that is transparent, based on objective criteria, free from bias and which rewards staff in line with the College's commitment to equality and diversity. These reviews analyse pay gaps by ethnicity, disability and sexual orientation as well as gender.

The gender pay data published in March 2018 for hourly pay and bonus pay is summarised in Tables 1 and 2:

| Mean hourly pay | | Median hourly pay | | Total employees | |
|---|---|---|---|---|---|
| Female (£) | Male (£) | Female (£) | Male (£) | Female | Male |
| | | | | | |
| 22.05 | 23.85 | 20.02 | 21.12 | 1,066 | 951 |
| Gender pay gap 7.6% lower | | Gender pay gap 5.2% lower | | Total employees 2,017 | |

*Table 1: Gender pay gap – hourly pay*

| Mean bonus pay | | Median bonus pay | | Total receiving bonus | |
|---|---|---|---|---|---|
| Female (£) | Male (£) | Female (£) | Male (£) | Female | Male |
| | | | | | |
| 468 | 1,800 | 400 | 600 | 3.5% | 2.2% |
| Gender pay gap 74.0% lower | | Gender pay gap 33.3% lower | | Total receiving bonus 58 | |

*Table 2: Gender pay gap – bonus pay*

Benchmarking data compiled in early April 2018 indicated that Birkbeck was ranked 11$^{th}$ out of 126 institutions in the Higher Education sector for median gender pay gap and 13$^{th}$ for mean. In the education sector as a whole, the median gender pay gap was reported at 20%.

The distribution of men and women across the highest to lowest paid staff groups inverts in favour of men; there are 6.2% fewer women in the highest paid quartile and 11.6% more women in the lowest paid quartile. This clustering of men and women at different levels of an organisation, referred to as a vertical pay gap, is not uncommon in the Higher Education sector, although less pronounced at Birkbeck. The population distribution is a significant factor in the overall gender pay gap. The College monitors the diversity of population changes through promotion, recruitment and exit. Targeted actions from previous pay reviews and other gender analysis activities, such as Athena SWAN, have been identified and put in place to address population imbalances. For example, the academic promotion schemes were modified and this has resulted in an increased application and promotion rate of women to more senior academic roles.

The 2017 equal pay analysis identified a number of key measures which the College can take to reduce gender pay gaps:

- The use of equitable pay and reward arrangements which are objectively justifiable, using proper and effective systems such as job evaluation where appropriate;
- Increasing the number of women that are under-represented in certain occupationally stratified sections of the workforce;
- Increasing the number of women in more senior levels through internal promotion and external recruitment;
- Continuing to analyse and monitor all aspects of pay differentials;
- Being transparent in our equal pay analysis and findings.

Birkbeck has committed to a number of targets and objectives arising from all areas of this analysis which will help contribute to a reduction in pay inequality:

- Reduce the mean gender pay gap by a minimum of 1% by 2021;
- Reduce the mean Professorial pay gap to 5% or lower by 2021;
- Reduce the mean pay gap between men and women in senior Professional and Support roles by at least 2% by 2021;
- Address the underlying factors affecting equal pay through wider equality and diversity programmes and strategic interventions in other areas (such as recruitment, promotion, training, education and reward).

The recommendations which will help to achieve these objectives are set out in detail in the aforementioned 2017 pay audit. The key activities are:

- Develop and introduce a new Reward and Recognition Strategy;
- Review and introduce a revised approach to recruitment and retention;
- Increase flexible working at all levels and ensure no detriment to career development;
- Introduce career development and positive action measures to address under-representation at senior levels;
- Further improve promotion of women in academic roles and specifically take positive action to promote progression to Professorial level;
- Set equality and diversity targets for representation in the workforce and equal pay within College-wide KPIs;
- Conduct further analysis of pay intervention points and occupational segregation.

It should be noted that the majority of recommended actions or initiatives are already underway or planned via other initiatives and strategies including the People Strategy, School and Professional Services Annual Plans, Athena SWAN and other charter marks in particular.

**Facility time under the Trade Union Regulations 2017 for the relevant period from 1 April 2017 to 31 March 2018**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and require public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. Facility Time is the provision of paid or unpaid time off from an employee’s normal role to undertake trade union duties and activities as a union representative. Trade unions play an important role in the modern workplace and there are significant benefits to both employers and employees when organisations and unions work together effectively. The regulations provide a framework for open and transparent monitoring of this. The facility time data for the relevant period is shown on the next page.

## OPERATING AND FINANCIAL REVIEW (continued)

Relevant union officials:

| Number of employees who were relevant union officials during the relevant period | Full-time equivalent employee number |
|---|---|
| | |
| 20 | 17.27 |

Percentage of time spent on facility time:

| Percentage of time | Number of employees |
|---|---|
| | |
| 0% | - |
| 1 - 50% | 20 |
| 51 - 99% | - |
| 100% | - |

Percentage of pay bill spent on facility time:

| | 2017/18 |
|---|---|
| | |
| Total cost of facility time | £49,858.70 |
| Total pay bill | £69,761,000.00 |
| Percentage of the total pay bill spent on facility time | 0.071% |

Paid trade union activities:

Number of hours spent by employees (who were relevant union officials during the relevant period) on paid trade union activities as a percentage of total paid facility time hours.

| | 2017/18 |
|---|---|
| | |
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 10.22% |

### Alumni and friends of the College

The generosity of alumni, friends, corporate partners, charitable trusts and foundations allows Birkbeck to amplify our commitments to students and widen the impact of our world leading research. Our alumni and friends play an important role in advocating, supporting and volunteering for the College.

## OPERATING AND FINANCIAL REVIEW (continued)

Last year, we raised over £2.4 million of new philanthropic income. This included over 800 donors making regular monthly gifts, several legacies and multiple six-figure gifts from individuals, corporates and charitable foundations.

Chart 1 summarises where funding originated.

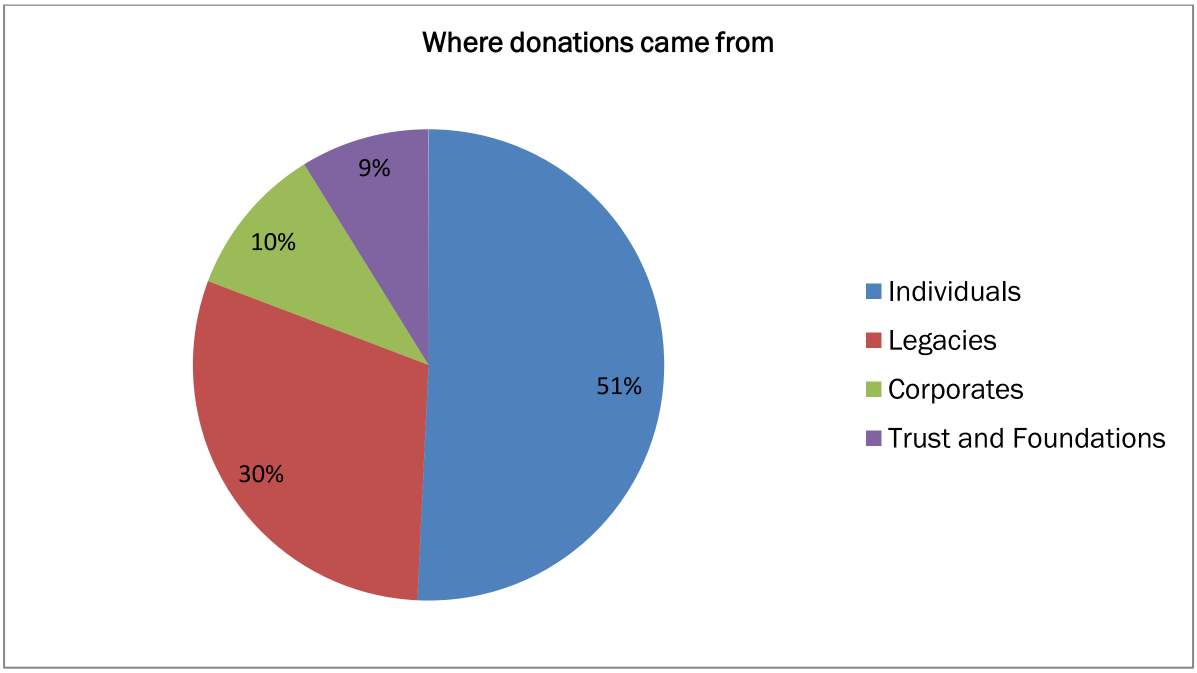



*Chart 1: Breakdown of donations 2017/18*

These donations will support a range of priority areas across the college such as:

- **widening access and student support**, for example, through student bursaries, mental health support programmes and award winning programmes such as our Compass Project;

- **academic research and PhD studentships** through initiatives like the Research Innovation Fund which provides seed funding for new research ideas, post-doctoral awards for emerging academics and PhD scholarships for the next generation of academic thinkers;

- **capital projects, facilities and equipment** by catalysing projects like technology enhanced learning, supporting state of the art equipment for our researchers and contributing to new building such as the Wohl Wolfson ToddlerLab;

- **unrestricted funding for areas of greatest need** - our donors support Birkbeck and our mission and many of them are comfortable knowing that the College will direct their philanthropy to the areas of greatest need, be it students, infrastructure or research.

## OPERATING AND FINANCIAL REVIEW (continued)

Chart 2 summarises the proportion in which donations will be allocated to projects.

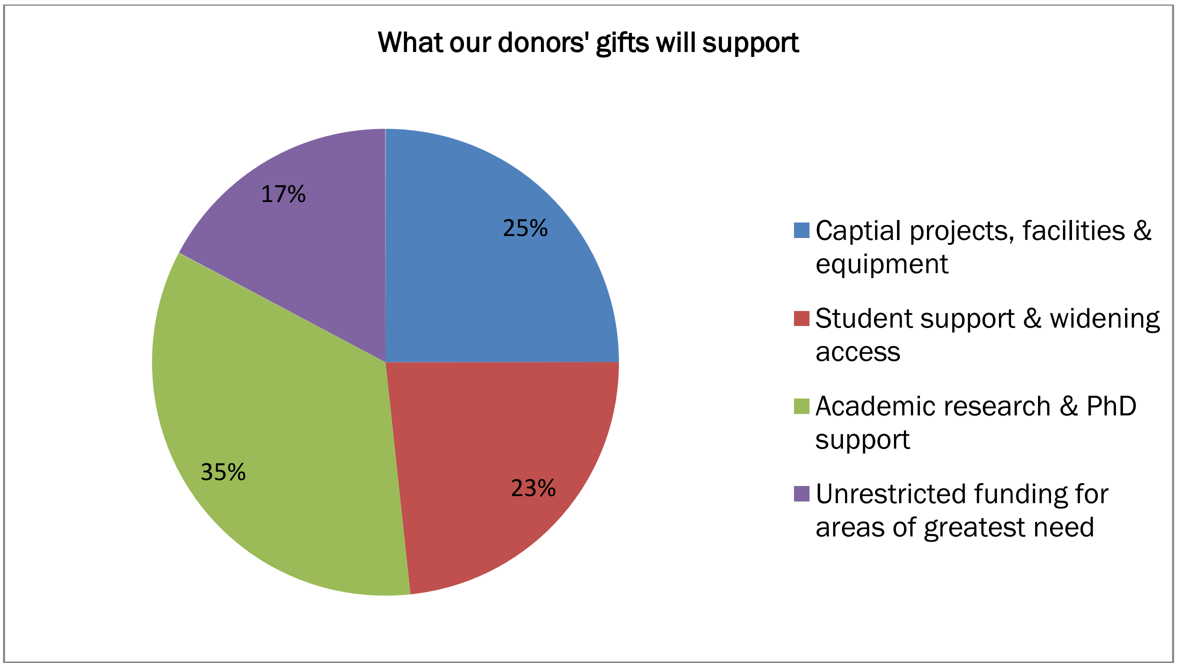



*Chart 2: Summary of activities to be supported by donations*

Nearly 300 volunteers donated 3,700 hours (2016/17: 3,500 hours) of their time to enhance the student experience and support learners across the College. These volunteers play an important role in aiding student recruitment, retention and employability initiatives.

During 2018 new General Data Protection Regulations came into effect. Birkbeck exists to provide life changing educational opportunities for its students and undertake cutting-edge research for the public good. In order to carry out this mission, it is necessary to process personal data. We invested significant time to ensure that we process data transparently, fairly, lawfully, safely and securely. We renewed our policies to strengthen our commitment and processes around data privacy.

As we move towards our 200th anniversary in 2023, our alumni and supporters will be vital in helping us to achieve our ambitious strategic priorities. Over the coming year we will broaden our fundraising activity; deepen our relationships with current supporters and attract new donors to support these ambitions.

Despite a very strong performance in the 2014 Research Excellence Framework (REF), the award of a Silver grade in the 2017 Teaching Excellence Framework (TEF) and strong financial performance over a number of years we were disappointed to find that EU student recruitment fell following the Brexit referendum and for the first time since 2009 the College posted a deficit (after adjusting for one-off equipment grants). Although there are an unprecedented number of significant uncertainties in the higher education sector at the moment the external reviews (TEF and REF) validate our strategic objective to deliver high quality teaching and research. As we enter a period of recovery we are still confidently defining our ambitions and vision for Birkbeck in its third century.

D.S. Latchman

**Professor David S. Latchman, CBE**
Master

## Financial Report of the Chair of Governors

The Financial Statements presented to the Governors comprise the consolidated results of the College and its subsidiary. The principal activities undertaken by the Group are teaching and research together with ancillary activities necessary to facilitate this. Additional activities include rendering academic services to a variety of educational, commercial and other organisations

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102: The financial reporting standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and, therefore, has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

### Results for the Year

Chart 3 compares the main income streams for the last four years whilst Chart 4 summarises the total income for 2017/18.

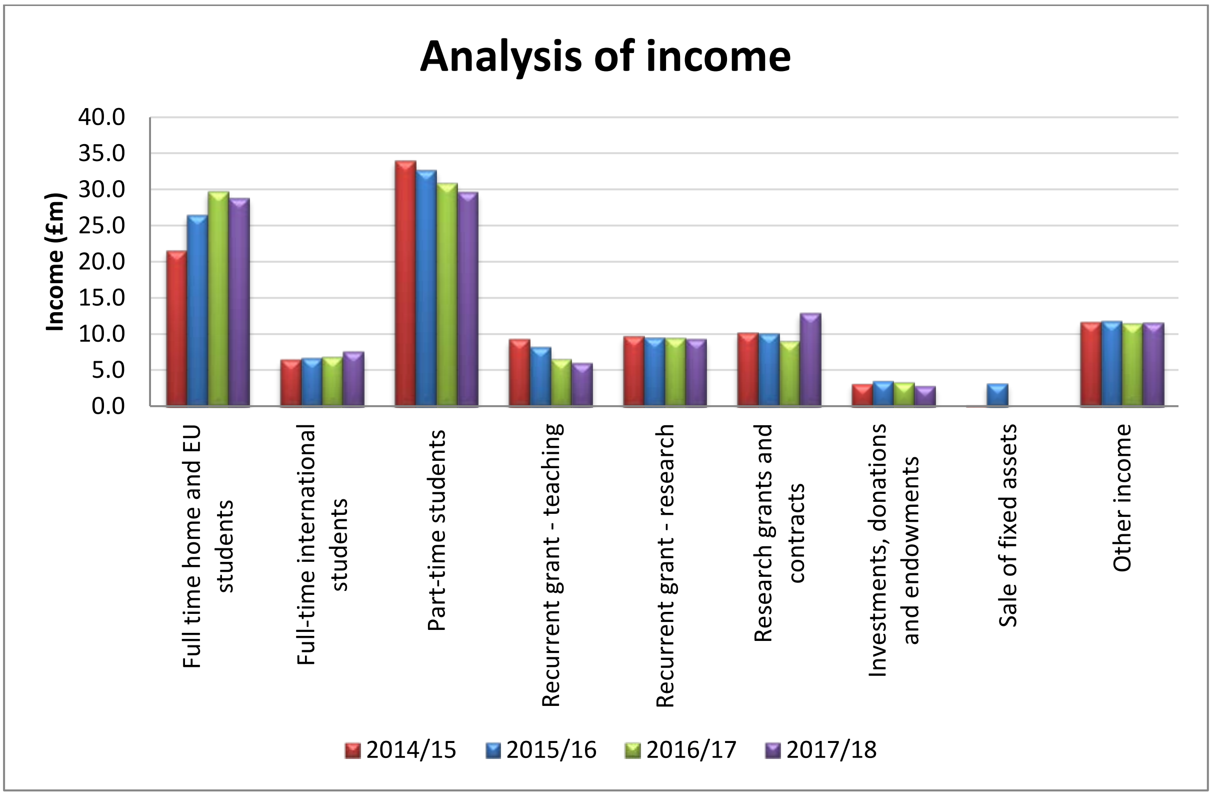



*Chart 3: Income by category 2014/15 to 2017/18*

## OPERATING AND FINANCIAL REVIEW (continued)

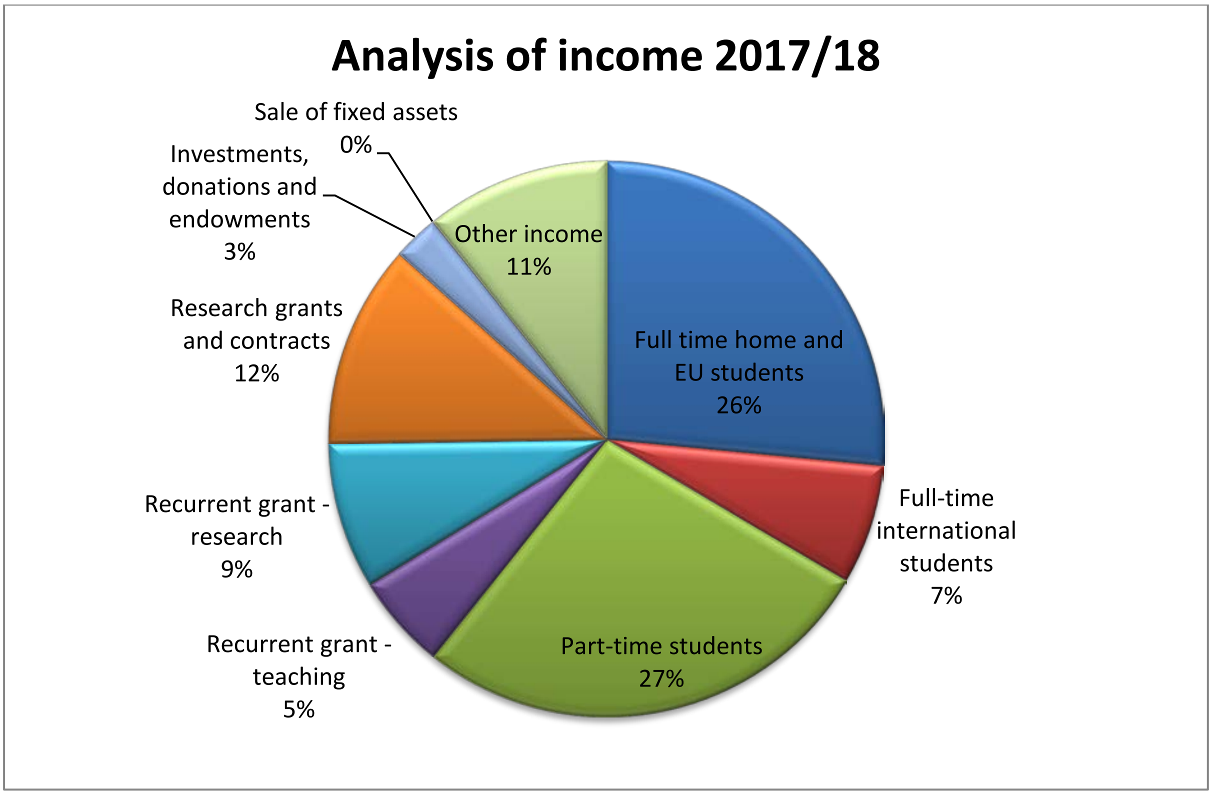



*Chart 4: Analysis of income 2017/18*

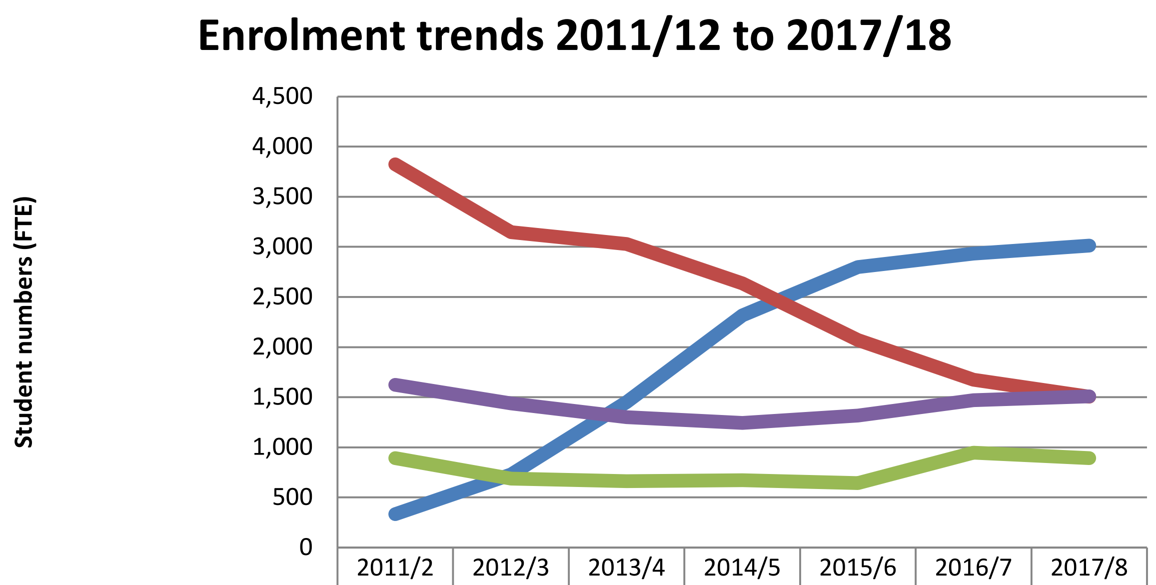
The recurrent teaching grant from the government continues to fall as an increasing proportion of our tuition fees are paid by student loans. Teaching grant fell by a further £0.6 million in 2017/18 (a reduction of 10.0% year-on-year). Teaching grant now represents only 5.5% of College income in comparison with 47.5% in 2005/06. In contrast, income from academic fees has risen from 25.7% in 2005/06 to 60.7% in 2017/18 (although this is down by £1.4 million on 2016/17).

Income from research grants and contracts is slightly skewed this year due to the recognition as income of a non-government funded equipment grant of £3.3 million. The grant was used to purchase an electron microscope which has been capitalised and will be depreciated over 10 years. Prior to the introduction of FRS102 such a grant would have been treated as deferred income and released in line with depreciation over the life of the asset.

Other income has remained broadly similar over the last two years.

## OPERATING AND FINANCIAL REVIEW (continued)

Chart 5 highlights the change in enrolment trends since 2011/12.




| | 2011/2 | 2012/3 | 2013/4 | 2014/5 | 2015/6 | 2016/7 | 2017/8 |
|---|---|---|---|---|---|---|---|
| UG Degree (Full time) | 335 | 729 | 1,451 | 2,315 | 2,798 | 2,934 | 3,011 |
| UG Degree (Part time) | 3,824 | 3,146 | 3,027 | 2,637 | 2,072 | 1,676 | 1,507 |
| PG Masters (Full time) | 891 | 688 | 664 | 671 | 645 | 948 | 891 |
| PG Masters (Part time) | 1,625 | 1,440 | 1,302 | 1,244 | 1,316 | 1,470 | 1,508 |

*Chart 5: Main levels of study enrolment trends 2011/12 to 2017/18*

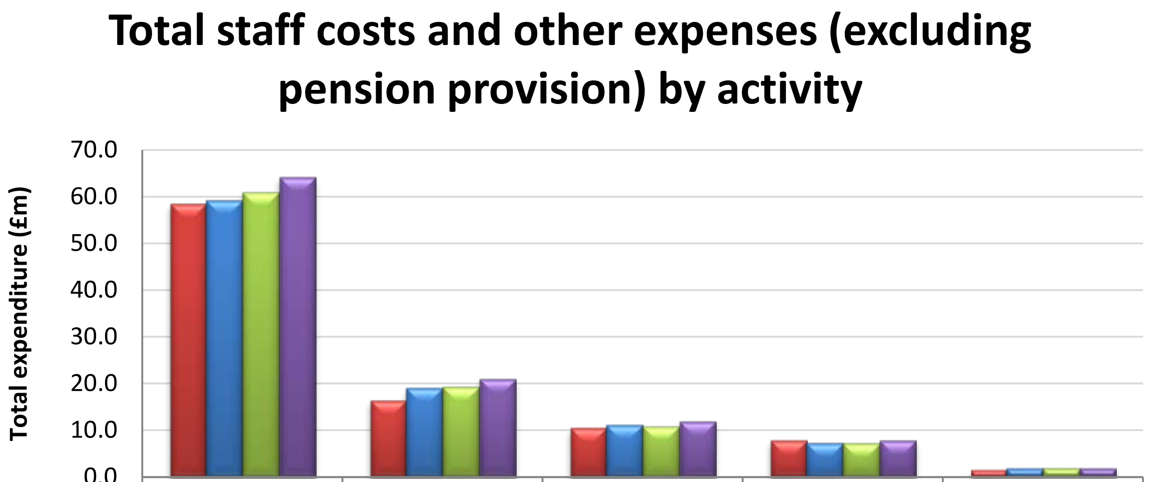
The dramatic decline in part-time undergraduate students since 2011/12 continues but appears to be slowing. It is hoped that the government's post-18 review will target the national fall in part-time numbers and recommend strategies which will have a positive effect in the coming years. Our strategy to introduce full time programmes has compensated for the part-time fall as can be clearly seen in Chart 5. We continue to recruit well in a competitive undergraduate market in London despite enrolments being affected by a reduction in EU nationals.

In 2016/17, postgraduate recruitment showed a marked increase due to the introduction of the post graduate loan. Although full-time numbers fell slightly in 2017/18 postgraduate students still make up around a third of our total student numbers (FTE).

Income from full-time Home and EU students decreased by £0.8 million (2.7%) primarily as a result of the reduction in EU nationals, particularly those already living and working in London. Income from international students rose by £0.7 million and now represents 7.0% of total income (2016/17: 6.3% of total income). Income from part-time students fell by £1.3 million despite a modest increase in the number of students studying part-time Masters programmes.

## OPERATING AND FINANCIAL REVIEW (continued)

Charts 6 and 7 summarise where our expenditure has been incurred.




| | Academic and related services | Admin & professional services | Premises | Research grants & contracts | Other expenses |
|---|---|---|---|---|---|
| 2014/15 | 58.6 | 16.5 | 10.5 | 7.8 | 1.6 |
| 2015/16 | 59.4 | 19.1 | 11.2 | 7.4 | 1.9 |
| 2016/17 | 61.1 | 19.3 | 10.9 | 7.2 | 1.8 |
| 2017/18 | 64.2 | 21.1 | 12.0 | 7.9 | 1.8 |

*Chart 6: Expenditure by activity 2014/15 to 2017/18*

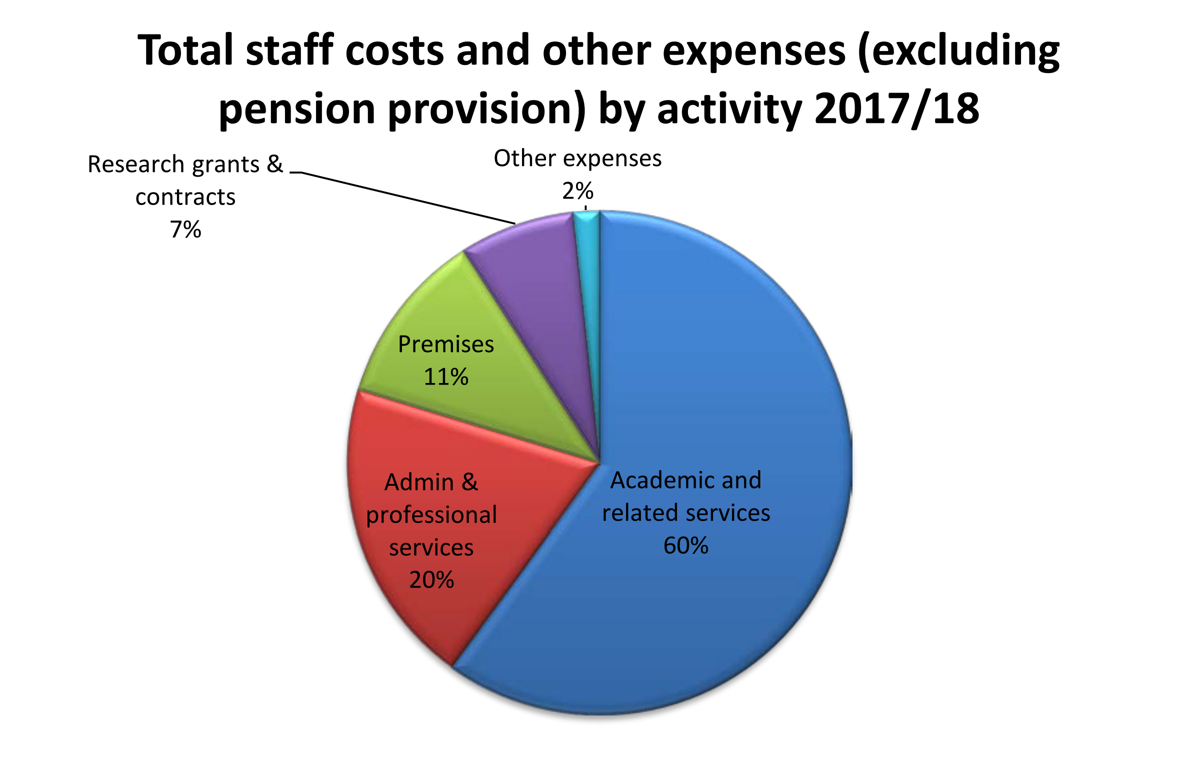



*Chart 7: Analysis of expenditure 2017/18*

## OPERATING AND FINANCIAL REVIEW (continued)

The analysis of expenditure confirms that the College continues to invest heavily in education and research with only 19.9% of total expenditure (2016/17: 19.3%) spent on administration and other professional services.

Staff costs as a percentage of total income (excluding movements in the pension provision) has risen from 59.6% in 2015/16 to 65.0% in 2017/18 (see Table 3). The College does not own any student residences (which increase income without a corresponding increase in staff costs) so this percentage is one of the highest in the sector.

| | 2015/16 £'000 | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|---|
| | | | |
| Gross salaries | 64,436 | 66,369 | 70,894 |
| Movement on pension provision | (464) | (181) | (927) |
| | | | |
| **Total expenditure on salaries** | **63,971** | **66,188** | **69,967** |
| | | | |
| Gross salaries (excluding movement on pension provision) as a percentage of total income | 59.6% | 61.1% | 65.0% |

*Table 3: Change in underlying staff costs*

Tuition fees and education contracts provided 62.3% of total income in 2017/18 (2016/17: 63.8%). Our budget for 2017/18 assumed that tuition income would rise broadly in line with prior years but as described earlier, this did not happen. Income from tuition fees missed target by £5.7 million in a year in which we invested in additional staff to further improve the student experience. Until 2017/18, the trajectory of our main source of income was tracking the rise in staff costs. This mis-match is a core focus of our recovery plan.

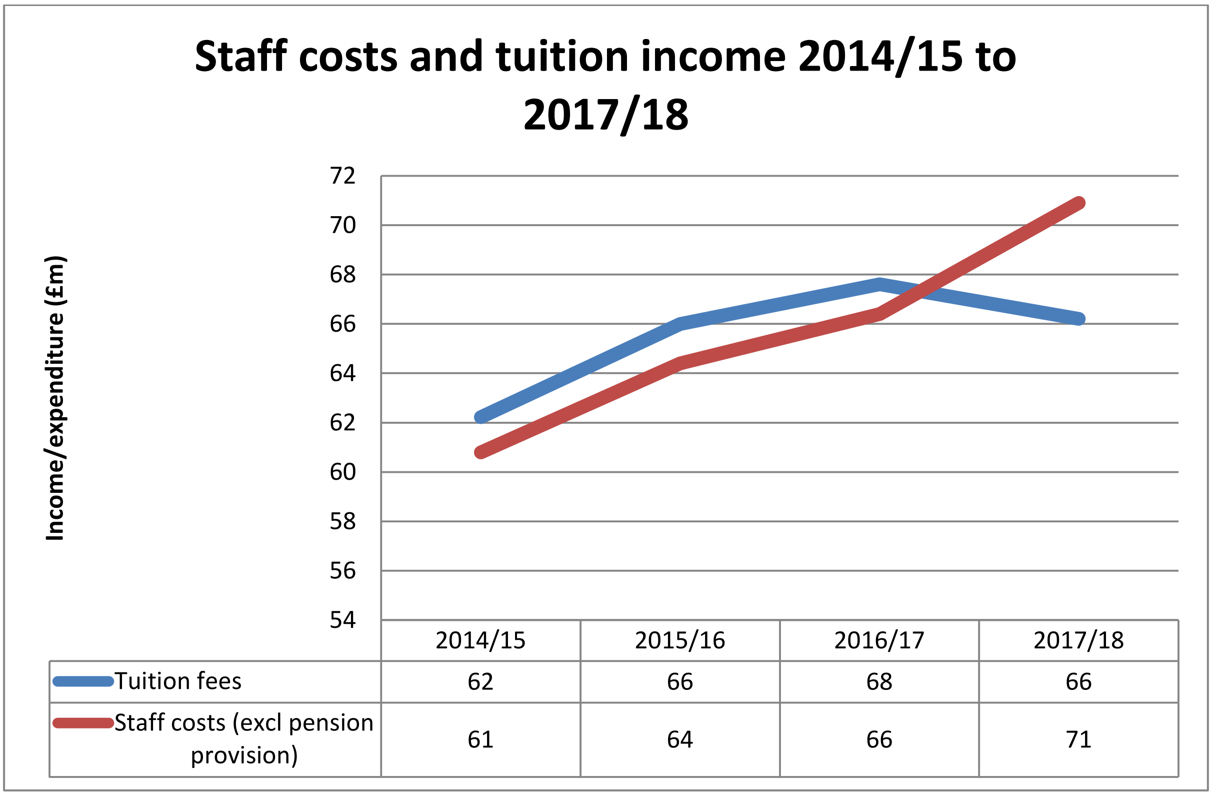



*Chart 8: Staff costs and tuition income 2014/15 to 2017/18*

## Financial sustainability

Table 4 brings together some key pieces of financial data for the Group from the last four years.

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|
| | | | | |
| Total income (£'000) | 106,388 | 108,087 | 108,595 | 108,894 |
| Total comprehensive income for the year (£'000) | 5,921 | 14,029 | 7,483 | 2,822 |
| Total comprehensive income as a percentage of total income | 5.5% | 13.0% | 6.9% | 2.6% |
| | | | | |
| Total income after adjusting for material one-off equipment grant (£'000) | 106,388 | 108,087 | 108,595 | 105,554 |
| Total comprehensive income for the year after adjusting for gain on sale and material equipment grant (£'000) | 5,921 | 10,794 | 7,483 | (518) |
| Total adjusted comprehensive income as a percentage of adjusted total income | 5.5% | 10.0% | 6.9% | (0.5%) |
| | | | | |
| Non-current assets (£'000) | 86,886 | 86,733 | 86,144 | 96,916 |
| Cash plus current investments (£'000) | 43,397 | 57,648 | 63,820 | 57,682 |
| Payments to acquire fixed assets | 16,989 | 2,415 | 2,251 | 8,496 |
| | | | | |
| Net cash inflow from operating activities (£'000) | 11,130 | 10,842 | 6,957 | 1,309 |
| Operating cash as a percentage of total income | 10.5% | 10.0% | 6.4% | 1.2% |
| | | | | |
| Net liquidity days | 161 | 219 | 238 | 203 |
| | | | | |
| Net pension liability (£'000) | (11,956) | (11,835) | (11,851) | (11,127) |
| Total net assets (£'000) | 72,754 | 86,783 | 94,539 | 97,088 |

*Table 4: Key financial data 2014/15 to 2017/18*

Adjusting for a one-off non-government funded equipment grant the College returned an underlying deficit of £0.5 million in 2017/18 against total comprehensive income of £7.5 million the year before. To offset the annual increase in staff costs through inflation and grade drift, growth in income from tuition fees is critical. Since Home undergraduate fee levels are fixed, growth in income must be largely driven from increasing student numbers. Chart 8 clearly demonstrates the sensitivity of the College financial position to student recruitment.

Governors have agreed a recovery plan which looks to increase student FTE to around 10,500 by 2023. A number of strands are currently being developed including: portfolio development; improved retention; increased application to enrolment conversion rates; introduction of access programmes to facilitate progression to postgraduate programmes; increased focus on international recruitment; development of additional on-line delivery etc. In addition, income diversification initiatives will be developed and we will ensure that all costs are efficiently and effectively managed. A deficit budget has been set for 2018/19 with a return to achieving surpluses of 5% of turnover by 2022/23.

Prior to this year's shortfall in student recruitment, the College has been regularly returning strong surpluses and generating cash from its operations. The level of cash accrued provided Governors with assurance that the first two estates strategy buildings could be completed from reserves without impacting on our financial sustainability. The timing and scope of further building projects will need to be reconsidered.

The triennial valuation of the Universities' Superannuation Scheme (USS) as at 31 March 2017 was not approved by the Joint Negotiating Committee. It was agreed that a Joint Expert Panel (JEP) be set up with representatives from Universities UK (on behalf of scheme employers) and the University & Colleges Union (on behalf of scheme members) to review the assumptions used in the valuation. At the end of the financial year the schedule of contributions and benefit structure had not changed and, therefore, the College share of the scheme liability (£11.1 million) has been calculated based on the roll forward of existing assumptions.

The JEP produced a report and recommendations in September 2018 and this is currently being considered by employers and members. The disputed 2017 valuation calculated that the scheme liabilities had increased and that contributions would need to rise and/or benefits would need to change. The JEP report makes observations which may result in the valuation being recalculated as at 31 March 2018. Due to the fact that there is no contractual commitment at this stage and the extent of any additional liability cannot be reliably estimated, the College has not accounted for an additional provision. Our financial planning makes assumptions about what may transpire, particularly in relation to contribution increases, and the risks associated with the scheme are regularly considered.

Despite concerns over the potential increasing costs of USS which the College has little direct influence over, coupled with the need to deliver income growth/diversification and expenditure control, the strength of our Balance Sheet provides us with a period in which we can recover. A governance structure has been created to monitor progress against the recovery plan and regular updates are provided to Governors. We are also mindful of the unprecedented uncertainty at the moment but believe that the unique position of the College in the higher education sector will provide us with many opportunities.

## Risk Management

An effective approach to risk management is seen by the College as an essential element of corporate governance. The College has adopted a financially prudent and conservative approach but is nevertheless committed to pursuing strategic opportunities linked to its core mission, provided that the potential benefits and risks are understood and that reasonable means to mitigate risks are put in place. Good progress has been made towards embedding risk management throughout the College. The College provided a full compliance statement on internal control last year and will continue to do so.

The College has a Risk Management Policy in place which explains the underlying approach to risk management and documents the roles and responsibilities of the governing body, the Audit Committee, the Strategic Planning Committee, the Risk Management Group and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. The policy is reviewed on an annual basis.

The Risk Register is compiled by the Risk Management Group consisting of senior academic and professional services staff. Significant current and potential future risks are identified and evaluated together with the controls in place to mitigate them. The risks are grouped by themes, for which Key Performance Indicators linked to strategic objectives have been established. The risks are monitored by Strategic Planning Committee, Audit Committee and Governors. An annual report on internal control and risk for 2017/18 was presented to the Audit Committee in May 2018.

Risks are assessed and scored using gross and net likelihood and impact scores. Gross scores indicate the magnitude of the risk without successful controls, and net scores take into account the impact of management interventions. Risk scores are divided into low/green (below 9), medium/amber (9-12.5) and high/red (12.5+). The maximum risk score which can be achieved (highest impact and likelihood) is 25.

The top risks for the College for 2018/19 outlined in the annual report are:

- Student recruitment

  Our financial sustainability is heavily linked to student recruitment reflecting our reliance on tuition fees as our main source of income. Recruitment of students who are European Union nationals fell in 2017/18 as a direct outcome of Brexit. We had anticipated that numbers of London-based EU students would fall gradually as Brexit approached, but instead they fell quickly, apparently as a result of customer confidence and uncertainty rather than regulation. We also over-estimated our ability to continue to increase Masters students following the introduction of postgraduate student loans. Both of these aspects contributed to us failing to hit our student number targets for the year with the result that we returned an underlying deficit (after adjusting for one-off grants).

  The level of risk is likely to remain high in 2018/19 and we are implementing a strategy to recover student numbers through improved recruitment and marketing of existing programmes as well as through diversification of our portfolio and cost management. A recruitment monitoring group led by the Vice Master has been set up to oversee new initiatives and a review has recommended changes aimed at improving the efficiency of application, offer and enrolment processes. Implementing process change will be a priority for the College in the coming months.

  Other measures aimed at recovering student numbers include developing new provision to attract new students. The Degree with Foundation Year has launched and has led to growth. We have also put more resource into international recruitment and are expecting to see increased numbers for 2018/19 and beyond. With a high reliance on tuition income, this risk has been given a net risk score of 14.0 (red).

- Planning and prioritisation of investment

  The higher education environment is more competitive than ever (new entrants to the market, development of innovative modes of delivery, removal of student number controls, changing expectations from students) and more uncertain (Brexit, government policy, changing attitudes to higher education, increasing cost pressures such as pensions). As such, it is important for the College to dynamically adapt to circumstances to ensure financial sustainability. The net score assigned to this risk has been increased this year from amber to red primarily due to the fall in student numbers.

  The College has a unique position in the sector being the only evening provider of higher education. A recovery plan has been developed which seeks to build on our usp by maximising recruitment to existing programmes, diversifying income streams through the development of new modes of study or programmes and by reducing costs. Governors remain committed to the aspirations underpinning our Estates Strategy and improving the student experience so it is critical that we focus our attention on strategies which return us to a position of financial sustainability.

School Executive Deans and key strategic staff regularly meet to consider areas for investment and to oversee the delivery of projects identified in the recovery plan. Strategic Planning Committee is the executive body responsible for returning the College to a sustainable financial position and reports on progress and risks are provided to Governors through the committee structure.

- Estates Strategy

A number of risks have been noted in relation to the Estates Strategy including: projects do not effectively meet the stated objectives; project budgets are not appropriately managed; and long term cash levels negatively impact our financial sustainability. A governance structure has been set up to oversee the projects which includes Project Boards (membership: internal clients, Estates staff, representatives from the external design teams, senior College staff and independent Governors) which feed in to Estates Committee (a sub-committee of Finance & General Purposes Committee). The structure aims to ensure that all aspects of each project are appropriately managed. Reports on major projects are also provided to each meeting of the Audit Committee and the management of major projects is routinely reviewed by our internal auditor.

It is our aim that all Birkbeck students will be studying either in fully owned Birkbeck facilities or in buildings shared with other HE institutions. Governors have approved the College Estate Strategy (total value around £150 million) which determined that four projects were required. The commencement of two major building projects at a time when the revenue position of the College is under strain will require careful management of project expenditure and may impact on the timing and scale of remaining projects. Risks associated with the delivery of the Estates Strategy have been assigned an overall net score of 12.25 (amber).

- Student experience

An inability to meet the needs of students and delivery of an optimal student experience could potentially impact both recruitment and retention, result in lower National Student Survey (NSS) scores with a consequent impact on both reputation and recruitment, and lead to students having an unsatisfactory university experience and not reaching their full potential.

Although the Teaching Excellence Framework exercise resulted in a silver award for the College, the NSS has indicated that we need to focus on improving student support. The student body has changed over the last few years, with larger numbers of younger students with different needs and expectations choosing to study with us. Many of our students combine work with study and are consequently time poor. The College Pro Vice Master Education along with a lay Governor led a wide-ranging review of the student experience in 2017/18. The report recommendations are currently being implemented.

While student retention is not declining, it is not where we want it to be - part time retention is higher than the national benchmark and full time retention is lower. With many of our students in full time employment there is always a risk that students drop out due to their employer moving from London and we are developing on line solutions which allow students in this position the opportunity to complete their course. As well as

the metric for retention between years one and two which is benchmarked by HESA we need to understand the pattern of drop out in later years and the barriers to course completion and graduation.

## OPERATING AND FINANCIAL REVIEW (continued)

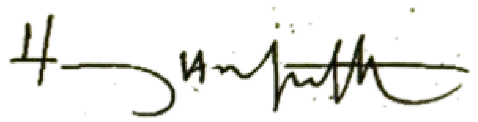
Regular reports on progress against the recommendations from the student experience review, most of which are expected to have a positive impact on retention, are provided to Governors.

The potential impact on student recruitment of failing to provide services that meet student need is significant and the risk has been assigned a net score of 12.25 (amber).

Brexit has not been included in our risk register as a specific risk due to the uncertain outcome of the negotiations and the impact on universities (although it is expected that the impact is likely to be negative for the sector). Reports on the possible risks, including the potential impact of a no-deal Brexit, are routinely prepared. This risk will be carefully monitored as government negotiations are finalised.

Audit Committee was provided with an update in September of the main developments since they approved the College risk register in May. The net scores for each of the main risks remained unchanged.

On behalf of the Governing Body, I would like to thank all staff for their dedication and support in ensuring the success of Birkbeck and its unique mission as a research-led teaching institution with a strong commitment to flexible patterns of teaching.



**Sir Harvey McGrath**
Chair of Governors

## Public Benefit Statement

The College Charter dated 17 March 1926 states:

“The objects of the College shall be to promote for the public benefit and to provide for persons who are engaged in earning their livelihood during the daytime and other persons, education, instruction and means for research and such facilities as may be deemed appropriate, in all or any of the subjects comprised in the faculties of the University into which the College has been or may be admitted and any other subjects as the Governors may from time to time determine.”

As an exempt charity within the meaning of the Charities Act 2006 (updated 2011), we are required to demonstrate how our activities are of benefit to the public. The Act describes 13 broad areas of charitable activity. The Governing Body has regard to the Charity Commission’s guidance on public benefit and meets these requirements in the following manner.

### The advancement of education

The Charities Act 2006 (updated 2011) determines that for education to be a charitable aim for the public benefit it “must be capable of being ‘advanced’. This means to promote, sustain and increase individual and collective knowledge and understanding of specific areas of study, skills and expertise.” It goes on to note that education includes “formal education, training (including vocational training) and life-long learning, research and adding to collective knowledge and understanding of specific areas of study and expertise [and] the development of individual capabilities, competences, skills and understanding”.

The College Charter and mission statement align with this charitable purpose which underpins everything we do.

In addition to our contribution to the advancement of education from teaching, our success in driving forward research directly contributes to a number of the public benefit criteria outlined in the Charities Act (see below for examples). The following table summarises our research income over the last three years:

| | 2015/16 | 2016/17 | 2017/18 |
|---|---:|---:|---:|
| | | | |
| Research income (£’000) | 10,082 | 9,091 | 12,941 |
| Income as a percentage of total income | 9.3% | 8.4% | 11.9% |

*Table 5: Research income trends*

Research income is released in line with progress on the projects. The College currently has a portfolio of live research projects linked to over £50 million in external grant funding.

### The prevention or relief of poverty

The Act notes that “in current social and economic circumstances, poverty includes many disadvantages and difficulties arising from, or which cause, the lack of financial or material resources … [and] can both create, and be created by, adverse social conditions, such as poor health and nutrition, and low achievement in education and other areas of human development.” It goes on to state that “the [Charity] commission recognises that many charities that are concerned with preventing or relieving poverty will do so by addressing both the causes (prevention) and the consequences (relief) of poverty.” This section explains how our mission contributes to the prevention or relief of poverty through the provision of education. It also describes our more widespread support for students with a wide range of characteristics.

## OPERATING AND FINANCIAL REVIEW (continued)

Birkbeck is proud to be a university which opens its doors to people who may otherwise not be able to study. We have maintained our commitment to enabling access for under-represented students during a time where our student demographics have changed considerably. We remain an evening university, predominantly delivering our teaching between 6-9pm and we retain our historic mission to educate working Londoners.

Our student body has a high proportion of part-time and mature students. Many of our students have non-traditional qualifications and high proportions of students have low income, are BAME or have a disability. The vast majority of students live and work in London. 94% of our part-time students and 66% of full-time students are over 21. We provide an opportunity for students who wish to combine evening university teaching with daytime work and, therefore, offer opportunities for students who otherwise would not be able to study.

In recent years higher tuition fees, the absence of maintenance loans, and debt aversion have resulted in lower recruitment onto our part-time programmes. We are hopeful that the introduction of maintenance loans in 2018/19 for part-time students may encourage more students to apply for part-time options.

Despite the challenges faced by the part-time sector our outcomes regarding access to higher education continue to be strong and demonstrate an institution-wide commitment to working with non-traditional students. We plan to continue with our current approach on access.

The following sections are taken from the College Access and Participation Plan 2019/20 and demonstrate our performance against various measures in recent years.

### *Low income households*

We believe that providing part-time and flexible education can facilitate social and economic mobility and we are pleased that we attract a significant proportion of students from low income backgrounds.

| | 2015/16 | 2016/17 |
|---|---|---|
| | | |
| Part-time students (household income below £40,000) | 32% | 46% |
| Full-time students (household income below £25,000) | 40% | 39% |

*Table 6: Proportion of Birkbeck students who applied for financial support from the College*

To ensure that finance is not a barrier to study we support government funding arrangements by providing our own bursaries and scholarships to students experiencing financial hardship. In addition, a number of scholarships are provided through donations from our alumni and friends. We also offer all self-financing students the option to pay for their tuition fees in interest free monthly instalments over the academic year.

### *Students with non-traditional qualifications*

We actively encourage students with non-traditional qualifications to study at Birkbeck. Our outreach work, alongside the various entry routes to degree study, support students without traditional entry qualifications to study successfully at Birkbeck. 25% of part-time entrants had either level 2 (equivalent to GCSE), or lower entry qualifications in 2016/17 (2015/16: 35%). 83% of full-time entrants have low tariff or non-tariffable qualifications (source: Birkbeck Teaching Excellence Framework 2 (TEF2) metrics). That a high proportion of students do not have a level 3 qualification is a strong demonstration of our commitment to widening participation and to facilitating social mobility.

### *Disability*

We have a higher proportion of students eligible for Disabled Students' Allowance (DSA) than our HESA benchmark. We have the same proportion of full-time and part-time students eligible for DSA and a slightly higher proportion of full-time students than part-time who declare a disability to us. The proportion of students eligible for DSA dropped from 7.4% in 2015/16 to 6.8% in 2016/17.

| | Disabled Students' Allowance | Declared a disability to Birkbeck |
|---|---|---|
| | | |
| Part-time students | 6.8% | 16% |
| Full-time students | 6.8% | 18% |

*Table 7: Proportion of Birkbeck students with a disability 2016/17*

### *Ethnicity*

The proportion of BAME students at Birkbeck is comparatively high at 46% of all undergraduate students. The proportion on full-time programmes is higher still, at 56%. Our widening access provision predominantly targets students on low income rather than focusing on ethnicity but as our work is exclusively in London our approach means that we work with high numbers of students from BAME groups. The proportion of Black students at Birkbeck is 8% higher than the percentage that live in London (based on a 2011 survey from the Office for National Statistics), whereas Asian students and White students are proportionally underrepresented.

| | Birkbeck students 2016/17 | London population | Difference |
|---|---|---|---|
| | | | |
| Asian | 12% | 19% | (6%) |
| Black | 21% | 13% | 8% |
| White | 13% | 8% | 4% |
| Other (incl mixed) | 54% | 60% | (6%) |

*Table 8: Proportion of Birkbeck students by ethnicity 2016/17*

### *Employability*

In light of the fact that many of our students come from underrepresented backgrounds and with low entry qualifications, our performance against 'employment or further study' benchmarks is impressive. Despite achieving better results than the sector, we recognise that there remain gaps in Black students' employability success compared with White students. Through our Careers and Employability service we have instigated projects to address this gap.

| | Birkbeck | Benchmark |
|---|---|---|
| | | |
| Full-time students | 95.4% | 90.7% |
| Part-time students | 97.0% | 95.1% |

*Table 9: Proportion of Birkbeck students employed or in further study (TEF year 2 metrics)*

### The advancement of the arts, culture, heritage or science

A major new project, Layers of London: mapping the city's heritage, brings together digitised heritage assets provided by key partners across London. The assets have been linked in an innovative new website which allows people to interact with many different 'layers' of London's history from the Romans to the present day, including historic maps, images of buildings, films as well as information about individual Londoners and families over the centuries. These layers will be added to by the public, who will be able to upload historical information of different kinds. The project was led by Professor Matthew Davies, Executive Dean of the School of Social Sciences, History and Philosophy and was funded by a grant of £929,800 from the Heritage Lottery Fund with an additional £600,000 from matched funding and other contributions. Other partners on the project included the British Library, London Metropolitan Archives, Historic England, The National Archives and MOLA (Museum of London Archaeology).

**The advancement of health or saving of lives**

An international consortium of 48 world-class universities and research institutes was awarded the largest-ever grant in June 2018 to develop better treatment for autism by the Innovative Medicines Initiative. The project will be academically led by the Institute of Psychiatry, Psychology & Neuroscience (IoPPN) at King's College London, with the infant component of the project being led by Birkbeck's Centre for Brain and Cognitive Development (CBCD).

The €115 million grant, titled Autism Innovative Medicine Studies-2-Trials (AIMS-2-Trials), will increase understanding of autism and help develop new therapies to improve health outcomes and quality of life for autistic people. Of this grant, Birkbeck will receive €2.8 million for projects which will be led by Dr Emily Jones and Professor Mark Johnson.

The CBCD was also awarded a Simons Foundation Autism Research Initiative (SFARI) pilot award, which will fund a project focused on understanding how genetic variation influences early brain development and results in autism symptoms in infants and toddlers. The Simons Foundation aims to advance the frontiers of research in mathematics and sciences and supports research in mathematics, theoretical physics, theoretical computer science, life sciences and autism research initiatives.

**The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity**

In November 2017, Birkbeck's Institute of Criminal Policy Research (ICPR) published the fourth edition of the World Female Imprisonment List. It showed that the number of women and girls in prison around the world had jumped by more than half since the turn of the century with more than 714,000 women and girls now imprisoned globally. The male prison population increased by around 20% in the same period.

The prison research at ICPR aims to bring about a deeper understanding of the many interwoven factors that combine to drive increases in countries' use of imprisonment and to find concrete, practical solutions to end the unsustainable increases in imprisonment levels that we have seen in recent history. To help with this, the research focuses on providing a much better account of who it is that our states choose to imprison, and why.

**Longitudinal Educational Outcomes (LEO)**

The latest data released by the Department of Education published in June 2018 demonstrates how the College produces some of the UK's highest-earning graduates with salaries way above the average for universities just 12 months after completing studies. Based on the salaries of those who graduated in 2013/14, it shows that one year after graduating Birkbeck graduates are the ninth highest earners among UK institutions, and sixth highest in London, with an average salary of £25.2K. Our graduates have consistently shown salary levels significant above the average for UK's universities in many areas with Psychology graduates earning the highest median salaries of all UK psychology graduates a year after graduation, earning 36% more than the median.

## STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES

In accordance with the Charter and Statutes of the College, the Governors are responsible for exercising the powers of the College. Governors have oversight of the College's affairs and are responsible for ensuring effective administration, management and internal control. The Governing Body is required to present audited financial statements for each financial year.

The Governors act as the trustees of the College and are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the College; and to enable them to ensure that the financial statements are prepared in accordance with the College's Charter and Statutes and the Statement of Recommended Practice on Accounting for Further and Higher Education and FRS102: The financial reporting standard applicable in the UK and Republic of Ireland. In addition, within the Terms and Conditions of Funding for Higher Education Institutions set out by the Office for Students (successor to the Higher Education Funding Council), the Governors, through the Master as the accountable officer, are required to submit an annual accountability return including financial statements which comply with the Office for Students' Accounts Direction and give a true and fair view of the College's state of affairs and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year.

In causing the financial statements to be prepared, the Governors have ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation; and
- they are satisfied that the College has adequate resources to continue in operation for the foreseeable future (for this reason the going concern basis continues to be adopted in the preparation of the financial statements).

The Governors have taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Office for Students and UK Research and Innovation are used only for the purposes for which they have been given and in accordance with the Terms and Conditions of Funding for Higher Education Institutions and any other terms and conditions which the OfS and UKRI may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

## STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES (continued)

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, Executive Deans, Directors of Operation (Schools), Assistant Deans and Directors of Professional Services;

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and forecasts;

- regular reviews of key performance indicators and business, operational, compliance and sustainability risks and reports of variance from the annual income and expenditure budget;

- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and General Purposes Committee; and

- a professional Internal Audit Service whose annual programme is approved by the Audit Committee. The Audit Committee receives reports on internal audit activity within the College. The Chair of Audit Committee provides the Governors with reports on internal audit activity and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

# CORPORATE GOVERNANCE STATEMENT

## Corporate governance and accountability arrangements

Birkbeck College is a body incorporated by Royal Charter. Although the College does not have shareholders, and is not a listed company, the Governing Body is committed to achieving high standards of corporate governance in line with accepted best practice. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code insofar as they relate to universities. Its purpose is to help the reader of the accounts understand how the principles have been applied.

## The Governing Body

The Governing Body ("Governors") comprises independent members, students, alumni and employees appointed under the Statutes of the College, the majority of whom are non-executive. There is a majority of independent members and the roles of Chair and Deputy Chair of the Governing Body are separate from the role of the College's Chief Executive, the Master.

The matters specially reserved to the Governors for decision are set out in the Charter and Statutes of the College and the Governors' Statement of Primary Responsibilities. The Governing Body is responsible for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from Senior Management on the day to day operations of its business.

The Governing Body is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body met four times during the year and has several committees, including Finance and General Purposes Committee, Audit Committee, Nominations Committee and Remuneration Committee. All of these committees are formally constituted with terms of reference. All independent members of the Governing Body are appointed to committees by the Governors on the recommendation of the Nominations Committee.

The Governing Body reviewed its effectiveness in 2013/14 in line with the expectations of HEFCE and the Committee for University Chairs (CUC) for regular effectiveness reviews. The review concluded that the Governing Body, individually and collectively, is effective. The review put in place measures to improve new Governor selection and induction and to give Governors more opportunities for engagement with the College outside formal Governors' meetings. In 2016/17 four new independent governors were appointed following an open call for expressions of interest, which increased the diversity of the Governing Body.

The Governing Body has reviewed Birkbeck's governance system against the CUC's HE Code of Governance and concluded that the College is compliant with the principles of the Code. In 2018 the Governing Body agreed changes to the Remuneration Committee's Terms of Reference and reporting protocol, to increase transparency and accountability in line with new guidance from the CUC. The Governing Body has asked Audit Committee to keep under review Birkbeck's processes and practices in line with the provisions of the Code. The Governing Body has approved, and annually reviews, a set of Key Performance Indicators linked to College strategic objectives.

## CORPORATE GOVERNANCE STATEMENT (continued)

The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, linked to the achievement of strategic objectives, that the process has been in place for the year ended 31 July 2018 and up to the date of approval of the annual accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors in the UK Corporate Governance Code and the principles in the Committee of University Chairs' HE Code of Governance.

### Academic Board and Academic Board Executive Committee

On all academic matters the Governors must consider, but not necessarily follow, the advice of the Academic Board, which is responsible to the Governing Body for the academic work of the College. The Academic Board has a membership of around 150 drawn almost entirely from academic staff and the students of the College and chaired by the Master. It delegates some of its powers to its Executive Committee.

### Finance and General Purposes Committee

The Finance and General Purposes Committee (F&GPC) reviews and then recommends to the Governors the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews and then recommends to Governors the financial regulations and financial policies that are applied to management. It reviews the annual financial statements and considers financial strategy. In addition, the Investment Committee is responsible for the College investments on behalf of F&GPC.

The Finance and General Purposes Committee met three times during the year.

### Nominations Committee

The Nominations Committee considers nominations for independent member vacancies in the Governing Body membership under the relevant Statute and for Governing Body appointed vacancies on College Committees. Recommendations to the Governors take into account the balance of skills, knowledge and experience of members and are based on assessment against objective criteria. It also considers issues of succession planning and diversity within the Governing Body.

The Nominations Committee met once during the year.

### Remuneration Committee

In 2017/18 the Remuneration Committee determined the annual remuneration of the Master and of professorial and senior administrative staff. Independent members of Governing Body receive no remuneration for their services although expenses incurred in attending meetings are met by the College. Members of the Governing Body who are employees of the College receive no additional remuneration for their services to the Governing Body. The cost of living salary increases for all staff are determined by national pay negotiations for all universities. The employee members have no involvement in determining their own salaries.

The Remuneration Committee met three (2016/17: one) times during the year. As well as its existing business of setting senior staff remuneration, it considered the Committee for University Chairs' new guidance on remuneration committees, and in response has recommended revisions to its terms of reference. The revisions include confirmation that the Committee's membership is wholly independent and does not include any College staff, a focus on remuneration of the core senior team, a stronger link between remuneration and individual and institutional performance, and more extensive and transparent reporting of the Committee's decisions.

## CORPORATE GOVERNANCE STATEMENT (continued)

These were approved by the Governing Body and the revised terms of reference will be in operation from 2018/19.

Remuneration Committee also considered the requirements in the OfS Accounts Direction for these financial statements to include a justification for the total remuneration package for the Master and a pay multiple ratio expressing the relationship between the Master's remuneration and that for all other employees. It has agreed these elements, which are in note 7 of the financial statements, noting that they have been produced retrospectively and relate to decisions made during the reporting period.

### Audit Committee

The Audit Committee comprises wholly independent members drawn from the Governing Body so has no executive responsibility. Members have recent, relevant financial and other appropriate experience. The Audit Committee met four times during the year.

The Audit Committee relies substantially on the work of the internal and external auditors, on the information provided by management and the response of management to the questions it raises.

The remit of the Audit Committee includes:
- reviewing the effectiveness of the College's systems of internal control and risk management;
- satisfying itself and assuring the Governors that satisfactory arrangements are in place to promote economy, efficiency and effectiveness thereby securing value for money;
- reviewing and approving the remit of the internal audit function;
- advising the Governors, as necessary, on the appointment and remuneration of the internal and external auditors, and their quality, reliability and effectiveness;
- reviewing with the external auditors the scope and nature of the audit, including the report to Audit Committee written by the external auditors; and
- assessing compliance with the HE regulatory framework.

The external and internal auditors have a standing arrangement to meet with the Audit Committee regularly without senior officers present. The auditors also attend meetings with senior officers to consider the items listed above and to review plans for the audit process.

The College's internal audit function provides, by undertaking review, independent objective assurance to the Governing Body, through the Audit Committee, on the effectiveness of the risk management framework and the design and effectiveness of the operation of internal controls that are intended to control critical business application risks. Internal audit also helps the College accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes and, by working with management, adding value through advice and guidance. All reviews undertaken by internal audit are considered with the management in the relevant operational unit. The reviews are also considered by the Master, College Secretary and Director of Finance and appropriate action confirmed to the Audit Committee. The head of the internal audit has unfettered access to the Audit Committee.

The internal audit work programme is drawn down from a risk-focused audit plan, which remains dynamic and is updated regularly to reflect changes in the College's risk profile. Internal audit monitors the progress made by operational units in implementing recommendations to ensure that they are addressed in a timely and effective manner, and reports progress regularly to the Audit Committee.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Audit Committee (continued)

The senior management team and the Audit Committee receive regular reports, including value for money reports, from internal audit which include recommendations for improvement. The Audit Committee's role in this area is to carry out a high level review of the arrangements for internal financial control. The Audit Committee and the Strategic Planning Committee review risk and control during the annual compilation of the risk register and report to the Governing Body. The Audit Committee also reports on the effectiveness of the College's management of risks to the Governing Body each term. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its summer 2018 meeting, the Governing Body approved the risk management report for 2017/18 and the risk register for 2018/19, taking into account reports from College management and the Audit Committee. In November 2018 the Governing Body considered and approved the annual report of the Audit Committee on its work during 2017/18, including a report from the internal auditor.

### Strategic Planning Committee

The Strategic Planning Committee consists of College officers with strategic management responsibility. Its remit is to consider College-wide strategic issues and priorities and to advise Governors accordingly. It is responsible for internal planning and resource allocation policy and procedures. It oversees the annual planning and budgeting process, giving feedback to Schools and Professional Services on developing plans and co-ordinates and integrates budget plans for presentation to Finance and General Purposes Committee.

The Strategic Planning Committee met nine times during the year.

The membership of all of the above committees during the year is shown on pages 4-6.

# INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK, UNIVERSITY OF LONDON

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Birkbeck, University of London ("the College") for the year ended 31 July 2018 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Board of Governors is responsible for the other information, which comprises the Operating and financial review and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

### Board of Governors responsibilities

As explained more fully in their statement set out on page 32 and 33, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

# INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK, UNIVERSITY OF LONDON

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

NThomas

Neil Thomas
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL

27 November 2018

## Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2018

| | Notes | Year ended 31 July 2018 Consolidated £'000 | Year ended 31 July 2018 College £'000 | Year ended 31 July 2017 Consolidated £'000 | Year ended 31 July 2017 College £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Tuition fees and education contracts | 1 | **67,844** | **67,844** | 69,294 | 69,294 |
| Funding body grants | 2 | **16,851** | **16,851** | 17,334 | 17,334 |
| Research grants and contracts | 3 | **12,941** | **12,941** | 9,091 | 9,091 |
| Other income | 4 | **8,411** | **8,411** | 8,610 | 8,610 |
| Investment income | 5 | **641** | **641** | 665 | 665 |
| **Total income before donations and endowments** | | **106,688** | **106,688** | 104,995 | 104,995 |
| Donations and endowments | 6 | **2,296** | **2,296** | 3,600 | 3,600 |
| **Total income** | | **108,984** | **108,984** | 108,595 | 108,595 |
| **Expenditure** | | | | | |
| Staff costs | 7 | **69,967** | **69,967** | 66,189 | 66,189 |
| Other operating expenses | | **33,717** | **33,717** | 31,594 | 31,594 |
| Depreciation & amortisation | 12 | **2,274** | **2,274** | 2,196 | 2,196 |
| Interest and other finance costs | 8 | **197** | **197** | 194 | 194 |
| **Total expenditure** | 9 | **106,155** | **106,155** | 100,172 | 100,172 |
| Surplus before other gains and losses | | 2,829 | 2,829 | 8,423 | 8,423 |
| Loss on investments | 13 | **(7)** | **(7)** | (940) | (940) |
| **Surplus before tax** | | **2,822** | **2,822** | 7,483 | 7,483 |
| **Total comprehensive income for the year** | | **2,822** | **2,822** | 7,483 | 7,483 |
| Represented by: | | | | | |
| Endowment comprehensive income for year | | **798** | **798** | 1,000 | 1,000 |
| Restricted comprehensive income for year | | **528** | **528** | 1,114 | 1,114 |
| Unrestricted comprehensive income for year | | **1,467** | **1,467** | 6,055 | 6,055 |
| Revaluation reserve comprehensive income for year | | **29** | **29** | (686) | (686) |
| | | **2,822** | **2,822** | 7,483 | 7,483 |

All items of income and expenditure relate to continuing activities.

## Consolidated and College Statement of Changes in Reserves
## for the year ended 31 July 2018

| Consolidated | Income and expenditure account | | | | |
|---|---|---|---|---|---|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 August 2016** | 6,365 | 204 | 76,901 | 3,314 | 86,783 |
| Surplus from the income and expenditure statement | 1,137 | 1,515 | 5,517 | (686) | 7,483 |
| Release of restricted funds spent during the year | (137) | (401) | 538 | - | - |
| **Total comprehensive income for the year** | 1,000 | 1,114 | 6,055 | (686) | 7,483 |
| **Balance at 1 August 2017** | 7,365 | 1,317 | 82,956 | 2,628 | 94,266 |
| Surplus from the income and expenditure statement | 991 | 936 | 866 | 29 | 2,822 |
| Release of restricted funds spent during the year | (194) | (408) | 602 | - | - |
| **Total comprehensive income for the year** | 798 | 528 | 1,467 | 29 | 2,822 |
| **Balance at 31 July 2018** | 8,162 | 1,845 | 84,423 | 2,657 | 97,088 |

## Consolidated and College Statement of Changes in Reserves (continued)
## for the year ended 31 July 2018

| College | Income and expenditure account | | | | |
|---|---|---|---|---|---|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 August 2016** | **6,365** | **204** | **76,901** | **3,314** | **86,783** |
| Surplus from the income and expenditure statement | 1,137 | 1,515 | 5,517 | (686) | **7,483** |
| Release of restricted funds spent during the year | (137) | (401) | 538 | - | - |
| **Total comprehensive income for the year** | 1,000 | 1,114 | 6,055 | (686) | **7,483** |
| **Balance at 1 August 2017** | **7,365** | **1,317** | **82,956** | **2,628** | **94,266** |
| Surplus from the income and expenditure statement | 991 | 936 | 866 | 29 | **2,822** |
| Release of restricted funds spent during the year | (194) | (408) | 602 | - | - |
| **Total comprehensive income for the year** | 798 | 528 | 1,467 | 29 | **2,822** |
| **Balance at 31 July 2018** | 8,162 | 1,845 | 84,423 | 2,657 | 97,088 |

## Consolidated and College Balance Sheets
## for the year ended 31 July 2018

| | Notes | As at 31 July 2018 Consolidated £'000 | As at 31 July 2018 College £'000 | As at 31 July 2017 Consolidated £'000 | As at 31 July 2017 College £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 10 | 2,165 | 2,165 | 1,476 | 1,476 |
| Fixed assets | 11 | 76,697 | 57,490 | 66,875 | 50,699 |
| Heritage assets | 12 | 352 | 352 | 352 | 352 |
| Investments | 13 | 17,702 | 33,319 | 17,440 | 33,057 |
| | | 96,916 | 93,326 | 86,144 | 85,584 |
| **Current assets** | | | | | |
| Stock | 14 | 23 | 23 | 22 | 22 |
| Trade and other receivables | 15 | 16,934 | 18,054 | 12,912 | 13,669 |
| Investments | 21 | 35,255 | 35,255 | 41,108 | 41,108 |
| Cash and cash equivalents | 22 | 22,427 | 22,148 | 22,712 | 22,479 |
| | | 74,639 | 75,480 | 76,754 | 77,277 |
| Creditors: amounts falling due within one year | 16 | (29,662) | (26,913) | (24,475) | (24,439) |
| **Net current assets** | | 44,977 | 48,567 | 52,279 | 52,839 |
| **Total assets less current liabilities** | | 141,893 | 141,893 | 138,422 | 138,423 |
| Creditors: amounts falling due after more than one year | 17 | (33,677) | (33,677) | (32,305) | (32,305) |
| Pension provisions | 18 | (11,127) | (11,127) | (11,851) | (11,851) |
| **Total net assets** | | 97,088 | 97,088 | 94,266 | 94,266 |
| **Restricted reserves** | | | | | |
| Income and expenditure reserve - endowments | 19 | 8,163 | 8,163 | 7,365 | 7,365 |
| Income and expenditure reserve - restricted | 20 | 1,845 | 1,845 | 1,317 | 1,317 |
| **Unrestricted reserves** | | | | | |
| Income and expenditure reserve - unrestricted | | 84,423 | 84,423 | 82,956 | 82,956 |
| Revaluation reserve | | 2,657 | 2,657 | 2,628 | 2,628 |
| **Total reserves** | | 97,088 | 97,088 | 94,266 | 94,266 |

The financial statements were approved by Governors on 27 November 2018 and were signed on its behalf by:

| | | |
|---|---|---|
| Sir Harvey McGrath | Professor David Latchman | Mr Keith Willett |
| Chair of Governors | Master | Director of Finance |

## Consolidated and College Cash Flow
## for the year ended 31 July 2018

| | Notes | Year ended 31 July 2018 £'000 | Year ended 31 July 2017 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Surplus for the year | | 2,822 | 7,483 |
| | | | |
| **Adjustment for non-cash items** | | | |
| Depreciation | 10, 11 | 2,274 | 2,196 |
| Loss on investments | 13 | 7 | 940 |
| Increase in stock | 14 | (1) | - |
| (Increase)/decrease in debtors | 15 | (4,022) | 2,001 |
| Increase/(decrease) in creditors | 16 | 2,271 | (3,903) |
| (Decrease)/increase in pension provision | 18 | (724) | 17 |
| | | | |
| **Adjustment for investing or financing activities** | | | |
| Investment income | 5 | (641) | (665) |
| Interest payable | 8 | 204 | 197 |
| Endowment income | | (881) | (1,309) |
| | | | |
| **Net cash inflow from operating activities** | | 1,309 | 6,957 |
| | | | |
| **Cash flows from investing activities** | | | |
| Placement of deposits | | 5,853 | (19,096) |
| Investment income | | 641 | 665 |
| Payments made to acquire fixed assets | | (8,496) | (2,251) |
| New non-current asset investments | | (269) | (295) |
| | | (2,271) | (20,977) |
| | | | |
| **Cash flows from financing activities** | | | |
| Endowment cash received | | 881 | 1,309 |
| Interest paid | | (204) | (197) |
| Repayments of amounts borrowed | | - | (16) |
| | | 677 | 1,096 |
| | | | |
| **Decrease in cash and cash equivalents in the year** | | (285) | (12,924) |
| | | | |
| Cash and cash equivalents at beginning of the year | 22 | 22,712 | 35,636 |
| Cash and cash equivalents at end of the year | 22 | 22,427 | 22,712 |

# Statement of Accounting Policies
## for the year ended 31 July 2018

### 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102: The financial reporting standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and, therefore, has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

### 2. Basis of consolidation

The consolidated financial statements include the College and its subsidiary for the financial year to 31 July 2018. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

### 3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment income receivable is shown net of the discount. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

#### Grant funding

Government revenue grants, including funding council teaching and research grants, are recognised as income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants, including research grants, from non-government sources, are recognised as income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors and released to income as the conditions are met.

## Statement of Accounting Policies (continued)
## for the year ended 31 July 2018

### 3. Income recognition (continued)

**Donations and endowments**

Non-exchange transactions without performance related conditions are treated as donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within restricted reserves until it is utilised in line with such restrictions at which point the income is released to general reserves.

Donations with no restrictions are recognised as income when the College is entitled to the funds.

Investment income from endowments and appreciation of endowment funds are recorded as income during the year in which the growth arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are three main types of donations and endowments identified within reserves:

a) Restricted donations - the donor has specified that the donation must be used for a particular objective;

b) Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College;

c) Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

**Capital grants**

Government capital grants are recognised as income over the expected useful life of the asset the funds were used to purchase/construct. Other capital grants are recognised as income when the College has satisfied any performance related conditions associated with the grant.

### 4. Accounting for retirement benefits

College staff are members of two principal pension schemes - the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are primarily defined benefit schemes which are externally managed. Each fund is valued every three years by professionally qualified independent actuaries.

Both schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities of the College due to the mutual nature of the schemes. The schemes are accounted for as a defined contribution retirement benefit schemes.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the schemes.

## Statement of Accounting Policies (continued)
## for the year ended 31 July 2018

### 4. Accounting for retirement benefits (continued)

#### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### 5. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

### 6. Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest of the remaining balance of the liability.

## Statement of Accounting Policies (continued)
## for the year ended 31 July 2018

### 7. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

### 8. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

### 9. Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Total Comprehensive Income for the year.

### 10. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### Land and buildings

Land and buildings are stated at cost (deemed cost). Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the College. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line.

The useful lives of land and buildings are assessed on a building by building basis and the cost is depreciated as follows:

Buildings: 40 to 100 years

Refurbishments: 5 to 20 years

Plant and machinery: 10 to 30 years

Leasehold land: the life of the lease

Assets in the course of construction: no depreciation until asset is brought into use.

## Statement of Accounting Policies (continued)
## for the year ended 31 July 2018

### 10. Fixed assets (continued)

**Equipment**

Equipment costing less than £10,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life. Indicative useful lives are as follows:
- Computer hardware: 3 years
- Equipment acquired for specific research projects is depreciated over the life of the project
- Other equipment: 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

### 11. Heritage assets

Works of art and other valuable artefacts have been capitalised and recognised at the cost or value of the acquisition where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated as their long economic life means that any depreciation would not be material.

### 12. Intangible assets

Intangible assets are amortised over the remaining estimated economic life of the assets. Large value software implementations are treated as intangible assets with depreciation commencing once the initial phase of development is complete.

### 13. Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment. Investments in subsidiaries are carried at cost less impairment in the College's accounts. Current asset investments are held at fair value with movements recognised in the Total Comprehensive Income for the year.

### 14. Stock

Stock is held at the lower of cost and net realisable value and is measured using an average cost formula.

## Statement of Accounting Policies (continued)
## for the year ended 31 July 2018

### 15. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant change in value.

### 16. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

a) The College has a present obligation (legal or constructive) as a result of a past event;
b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### 17. Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is, therefore, a charity within the meaning of Para 1 of Schedule 6 of the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College’s subsidiary is liable to Corporation Tax in the same way as any other commercial organisation.

## Statement of Accounting Policies (continued)
## for the year ended 31 July 2018

### 18. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the College must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and, therefore, the College is restricted in the use of these funds.

# Notes to the Accounts
## for the year ended 31 July 2018

| | | Year ended 31 July 2018 £'000 | Year ended 31 July 2017 £'000 |
|---|---|---|---|
| **1** | **Tuition fees and education contracts** | | |
| | Full-time home and EU students | 28,943 | 29,751 |
| | Full-time international students | 7,582 | 6,842 |
| | Part-time students | 29,705 | 31,008 |
| | Research Training Support Grant | 1,614 | 1,692 |
| | | 67,844 | 69,294 |
| **2** | **Funding body grants - OfS, HEFCE** | | |
| | **Recurrent grant** | | |
| | Teaching | 5,981 | 6,631 |
| | Research | 9,300 | 9,511 |
| | **Specific grants** | | |
| | Strategic Development Fund | - | (628) |
| | Higher Education Innovation Fund | 160 | 539 |
| | Collaborative outreach | - | 203 |
| | Catalyst Fund | 47 | 3 |
| | Global Challenges | 326 | - |
| | Engineering conversion | - | 38 |
| | Release of capital grant (Note 17) | 1,037 | 1,037 |
| | | 16,851 | 17,334 |
| **3** | **Research grants and contracts** | | |
| | Research councils | 3,381 | 3,969 |
| | Research charities | 6,794 | 2,734 |
| | UK government | 208 | 310 |
| | Industry and commerce | 72 | 107 |
| | EU government | 1,553 | 1,494 |
| | Other | 933 | 477 |
| | | 12,941 | 9,091 |

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

| | | Year ended 31 July 2018 £'000 | Year ended 31 July 2017 £'000 |
|---|---|---|---|
| 4 | **Other income** | | |
| | Lettings | 3,261 | 3,523 |
| | Catering and conferences | 1,318 | 1,221 |
| | Other revenue grants | 1,324 | 573 |
| | Other income | 2,509 | 3,294 |
| | | 8,411 | 8,610 |
| 5 | **Investment income** | | |
| | Investment income on endowments | 147 | 99 |
| | Other investment income | 494 | 566 |
| | | 641 | 665 |
| 6 | **Donations and endowments** | | |
| | New endowments | 881 | 1,270 |
| | Donations with restrictions | 936 | 1,515 |
| | Unrestricted donations | 479 | 816 |
| | | 2,296 | 3,600 |
| 7 | **Staff costs** | | |
| | Salaries | 56,718 | 52,966 |
| | Social security costs | 5,389 | 5,086 |
| | Movement on pension provisions | (927) | (181) |
| | Other pension costs | 8,787 | 8,318 |
| | | 69,967 | 66,189 |

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 7 Staff costs (continued)

| | Year ended 31 July 2018 | Year ended 31 July 2017 |
|---|---|---|
| Average staff numbers by category : | | |
| | Number | Number |
| Academic | 469 | 463 |
| Research | 104 | 98 |
| Technical | 16 | 12 |
| Professional and Support | 586 | 570 |
| | 1,175 | 1,143 |
| | £ | £ |
| Emoluments of the Master of the College: | | |
| Salary | 335,675 | 330,064 |
| Performance related pay | - | 20,000 |
| Pension contributions to USS | 7,049 | 7,351 |
| Alternate pension contribution | 29,170 | 28,683 |
| | 371,894 | 386,098 |

Along with all other staff of the College, the Master received the national pay award of 1.7% from August 2017.

The Governors agreed alternate pension arrangements for the Master in 2016/17. The College continues to contribute 2.1% of salary towards the USS pension deficit - the same percentage as for all members of the scheme.

The Master's basic salary is 9.0 times (2016/17: 9.0) the median pay of staff, where the median basic salary is calculated on a full-time equivalent basis for the basic pay of all staff.

The Master's total remuneration is 9.2 times (2016/17: 9.7) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of all staff.

In calculating the basic salary and total remuneration ratios we have taken the transitional option to exclude agency and atypical workers' salaries as the systems and processes do not currently categorise information in a way that meets this new requirement.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 7 Staff costs (continued)

#### Remuneration of the Master

The Master's remuneration has been determined and reviewed through appropriate and robust processes in terms of independence, objectivity, and assessment of individual and overall institutional performance.

#### Remuneration Committee

The Master's remuneration has been set and reviewed by a remuneration panel comprised of independent Governors. The panel includes the Chair of Governors, but in accordance with good practice, is chaired by another independent Governor. The Master is not a member of this panel and does not attend or participate in its meetings or business. The panel is supported by the College Secretary & Clerk to the Governors and, additionally, advice is provided, or commissioned, by the Director of Human Resources.

#### Process

- The panel reviews the remuneration of the Master annually in the light of the following information:
- Sector remuneration benchmarking information provided by the CUC and other sources for a range of relevant comparator institutions.
- Retention and continuity of senior leadership through a period of profound challenge and transformation for the College has been a priority, thus additional institutions have been added to the benchmarking profile to support objective consideration of retention issues.
- The outcome of the Master's annual appraisal conducted by the Chair of Governors. This is a formal documented process in which annual objectives are set and performance against those objectives are reviewed.
- The broader context provided by institutional performance information and institutional KPIs agreed by Governors.

#### Outcomes

The Master last received an increase in base salary, over and above the level of the national pay award, in 2012. He last received a bonus payment in 2016/17. The Master's current salary reflects sustained quality and continuity of leadership over a 15 year period which has had transformational impact. The College has met, managed and overcome major strategic threats - the loss of 40% of core teaching funding due to government policy change in 2007 and the fundamental 60% decline in traditional part-time study post 2012. The College's distinct mission stands out in the sector: widening access, opportunity and flexibility for students in an environment informed by the best research. Birkbeck is one of only twenty UK institutions that rate highly in both REF and TEF. Delivering successfully on its mission in this environment has required the College to restructure, reposition, re-invent and innovate. The Master's role in delivering this change, operating in a long-standing, collegial environment, building the widest base of support amongst students, staff, stakeholders and funders, has been vital to the viability and success of the College.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 7 Staff costs (continued)

Remuneration of other higher paid staff, excluding employer's pension contributions:

| | **Number** | Number |
|---|---|---|
| £100,000 to £104,999 | **3** | 3 |
| £105,000 to £109,999 | **-** | 2 |
| £110,000 to £114,999 | **2** | 2 |
| £115,000 to £119,999 | **2** | - |
| £130,000 to £134,999 | **1** | 1 |
| £135,000 to £139,999 | **1** | - |
| £155,000 to £159,999 | **-** | 1 |
| £165,000 to £169,999 | **1** | - |
| | **10** | 9 |

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Below are the pay costs including employer's pension contributions for staff listed as senior management of the College on page 3.

| | **Year ended 31 July 2018 £'000** | Year ended 31 July 2017 £'000 |
|---|---|---|
| Key management personnel pay plus employer's pension | **2,009** | 2,158 |

**Governing Body**

The College governors are the trustees for charitable law purposes. Due to the nature of the College's operations and the compositions of the Council, being drawn from local public and private sector organisations, transactions may take place with organisations in which a governor may have an interest. No such transactions have taken place during the year (2016/17: none).

None of the governors received any remuneration or waived payments from the group during the year (2016/17: none).

Two governors received a total of £576 (2016/17: £440, three governors) representing the reimbursement of travel expenses incurred in attending meetings and events in their official capacity.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 8 Interest and other finance costs

| | Year ended 31 July 2018 | | Year ended 31 July 2017 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Exchange differences | (7) | (7) | (3) | (3) |
| Net charge on pension scheme | 204 | 204 | 197 | 197 |
| | 197 | 197 | 194 | 194 |

### 9 Analysis of total expenditure by activity

| | Group 2018 | College 2018 | Group 2017 | College 2017 |
|---|---|---|---|---|
| Academic and related expenditure | 64,124 | 64,124 | 61,117 | 61,117 |
| Administration and professional services | 21,198 | 21,198 | 19,308 | 19,308 |
| Premises | 12,043 | 12,043 | 10,939 | 10,939 |
| Catering and conferences | 1,577 | 1,577 | 1,548 | 1,548 |
| Research grants and contracts | 7,943 | 7,943 | 7,231 | 7,231 |
| Change in pension provision (Note 7) | (927) | (927) | (181) | (181) |
| Other expenses | 197 | 197 | 211 | 211 |
| | 106,155 | 106,155 | 100,172 | 100,172 |

| | Group 2018 | | Group 2017 | |
|---|---|---|---|---|
| Other operating expenses include: | | | | |
| External auditor - audit services | 48 | | 53 | |
| External auditor 2016/17 audit overrun | 20 | | - | |
| External auditor - non-audit services | 7 | | 4 | |
| Internal auditor - audit services | 38 | | 31 | |
| Internal auditor - non-audit services | 8 | | 7 | |
| Operating lease rentals: | | | | |
| Land and buildings | 364 | | 311 | |
| Other | 24 | | 26 | |
| Grant to the Students' Union | 360 | | 264 | |

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

| 10 Intangible Assets | Year ended 31 July 2018 |
|---|---|
| | Software |
| | £'000 |
| **Cost or valuation** | |
| At 1 August 2017 | 1,522 |
| Additions | 735 |
| **At 31 July 2018** | **2,256** |
| **Amortisation** | |
| At 1 August 2017 | (46) |
| Charge for the year | (46) |
| **At 31 July 2018** | **(91)** |
| **Net book value** | |
| **At 31 July 2018** | **2,165** |
| At 31 July 2017 | **1,476** |

A large scale software development project commenced during 2015/16. Part of the software was brought into use during 2016/17 and the remainder will come into use from 1 August 2018.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 11 Fixed assets

| | Land & buildings | Assets in the course of construction | Plant & machinery | Fixtures, fittings & equipment | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Group** | | | | | |
| **Cost or valuation** | | | | | |
| At 1 August 2017 | 53,783 | 16,375 | 17,015 | 15,407 | **102,579** |
| Additions | 1,725 | 4,540 | 7 | 5,777 | **12,050** |
| Disposals | - | - | - | (83) | **(83)** |
| **At 31 July 2018** | **55,508** | **20,915** | **17,022** | **21,100** | **114,546** |
| **Consisting of valuation as at** | | | | | |
| 1 July 2016 | - | - | - | 344 | **344** |
| Cost | 55,508 | 20,915 | 17,022 | 20,756 | **114,202** |
| | **55,508** | **20,915** | **17,022** | **21,100** | **114,546** |
| **Depreciation** | | | | | |
| At 1 August 2017 | (17,950) | - | (7,643) | (10,110) | **(35,704)** |
| Charge for the year | (599) | - | (732) | (898) | **(2,228)** |
| Disposals | - | - | - | 83 | **83** |
| **At 31 July 2018** | **(18,549)** | - | **(8,375)** | **(10,925)** | **(37,849)** |
| **Net book value** | | | | | |
| **At 31 July 2018** | **36,959** | **20,915** | **8,648** | **10,175** | **76,697** |
| At 31 July 2017 | 35,833 | 16,375 | 9,372 | 5,296 | 66,875 |

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 11 Fixed assets

| | Land & buildings | Assets in the course of construction | Plant & machinery | Fixtures, fittings & equipment | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **College** | | | | | |
| **Cost or valuation** | | | | | |
| At 1 August 2017 | 53,783 | 198 | 17,015 | 15,407 | **86,402** |
| Additions | 1,725 | 1,510 | 7 | 5,777 | **9,019** |
| Disposals | - | - | - | (83) | **(83)** |
| **At 31 July 2018** | **55,508** | **1,707** | **17,022** | **21,101** | **95,338** |
| **Consisting of valuation as at** | | | | | |
| 1 July 2016 | - | - | - | 344 | **344** |
| Cost | 55,508 | 1,707 | 17,022 | 20,756 | **94,994** |
| | **55,508** | **1,707** | **17,022** | **21,101** | **95,338** |
| **Depreciation** | | | | | |
| At 1 August 2017 | (17,950) | - | (7,643) | (10,110) | **(35,704)** |
| Charge for the year | (599) | - | (732) | (898) | **(2,228)** |
| Disposals | - | - | - | 83 | **83** |
| **At 31 July 2018** | **(18,549)** | **-** | **(8,375)** | **(10,925)** | **(37,849)** |
| **Net book value** | | | | | |
| **At 31 July 2018** | **36,959** | **1,707** | **8,648** | **10,175** | **57,490** |
| At 31 July 2017 | 35,833 | 198 | 9,372 | 5,296 | 50,698 |

The fixed assets for the Group and College can be further analysed as follows:

Within land & buildings are freehold buildings with a net book value at 31 July 2018 of £7,718,000 (31 July 2017: £7,718,000). There were no additions to freehold land & buildings during the year. The remaining assets within the land & buildings asset class are held on a leasehold basis.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 12 Heritage assets

The College holds a number of assets of historical or artistic interest. The assets were donated to the College over a number of years with nil cost. They were last valued by Bonham and Sons Ltd in 1998.

Heritage assets are not depreciated.

The heritage assets can be summarised as follows:

| | Number of Items | Year ended 31 July 2018 £'000 | Number of Items | Year ended 31 July 2017 £'000 |
|---|---|---|---|---|
| Furniture and works of art | 34 | 66 | 34 | 66 |
| Pictures and wall hangings | 67 | 230 | 67 | 230 |
| Sculptures | 6 | 17 | 6 | 17 |
| Silver and silver plate | 50 | 37 | 50 | 37 |
| Other items | 5 | 3 | 5 | 3 |
| | 162 | 352 | 162 | 352 |

The items with the highest valuation are:

| | Year ended 31 July 2018 £'000 |
|---|---|
| Paintings by Vanessa Bell | 65 |
| Painting by Duncan Grant | 40 |
| Portrait of Lord Denning by John Stanton | 20 |
| Portrait of Dame Helen Gwynne-Vaughan by De Lazlo | 15 |
| Portrait of George Birkbeck by S Lane | 10 |

There were no additions during the year.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 13 Non-current investments

| | Subsidiary company £'000 | Other fixed assets investments £'000 | Total £'000 |
|---|---|---|---|
| **Group** | | | |
| At 1 August 2017 | - | 17,440 | **17,440** |
| Additions | - | 269 | **269** |
| Revaluation | - | (7) | **(7)** |
| **At 31 July 2018** | **-** | **17,702** | **17,702** |
| **College** | | | |
| At 1 August 2017 | 15,617 | 17,440 | **33,057** |
| Additions | - | 269 | **269** |
| Revaluation | - | (7) | **(7)** |
| **At 31 July 2018** | **15,617** | **17,702** | **33,319** |

Note 25 provides further information on the subsidiary, Birkbeck College (Cambridge House Ltd).

The other fixed asset investments have been valued at market value as follows:

| | Group and College £'000 |
|---|---|
| Newton Real Return Fund | 17,362 |
| Other Listed UK equities | 277 |
| CAF Trust Fund | 64 |
| **At 31 July 2018** | **17,702** |

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

| | Year ended 31 July 2018 | | Year ended 31 July 2017 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| **14 Stock** | | | | |
| General consumables | 23 | 23 | 22 | 22 |
| | 23 | 23 | 22 | 22 |
| **15 Trade and other receivables** | | | | |
| **Amounts falling due within one year** | | | | |
| Research grants receivables | 3,320 | 3,320 | 1,843 | 1,843 |
| Other trade receivables | 10,532 | 10,532 | 8,419 | 8,406 |
| Other receivables | 91 | 1,211 | 107 | 877 |
| Prepayments and accrued income | 2,991 | 2,991 | 2,542 | 2,542 |
| | 16,934 | 18,054 | 12,912 | 13,669 |
| **16 Creditors : amounts falling due within one year** | | | | |
| Trade payables | 467 | 307 | 860 | 860 |
| Social security and other taxation payable | 4,015 | 1,469 | 1,467 | 1,467 |
| Accruals and deferred income | 25,180 | 25,137 | 22,148 | 22,111 |
| | 29,662 | 26,913 | 24,475 | 24,439 |

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

| | | | | |
|---|---|---|---|---|
| Research grants received on account | 2,213 | 2,213 | 2,729 | 2,729 |
| Grant income | 1,399 | 1,399 | 2,520 | 2,520 |
| Other income | 9,803 | 9,803 | 8,274 | 8,274 |
| | 13,414 | 13,414 | 13,524 | 13,524 |

## 17 Creditors : amounts falling due after more than one year

| | Year ended 31 July 2018 | | Year ended 31 July 2017 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Deferred income | 33,677 | 33,677 | 32,305 | 32,305 |
| | 33,677 | 33,677 | 32,305 | 32,305 |

The deferred income relates to OfS (previously HEFCE) capital grant which is transferred to income over the useful economic life of the assets funded.

## 18 Provisions for liabilities

| | Obligation to fund deficit USS pension | Obligation to fund deficit SAUL pension | Total pensions provisions |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Group and College** | | | |
| At 1 August 2017 | 11,500 | 351 | 11,851 |
| Utilised in year | (844) | (351) | (1,195) |
| Additions in 2017/18 | 471 | - | 471 |
| **At 31 July 2018** | **11,127** | **-** | **11,127** |

The obligation to fund the past deficits on the pension schemes arises from the contractual relationship with the schemes for total payments relating to benefits arising from past performance. Management have estimated the number of future employees within the pension schemes and the salary payments made to the employees over the period of the contracted obligation when assessing the value of this provision.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

**19 Endowment Reserves**

| | Restricted permanent £'000 | Unrestricted permanent £'000 | Expendable £'000 | 2018 total £'000 | 2017 total £'000 |
|---|---|---|---|---|---|
| **Group and College** | | | | | |
| **Balance at 1 August** | | | | | |
| Capital | 2,624 | 1,357 | - | **3,981** | 2,860 |
| Accumulated income | 734 | - | 2,650 | **3,384** | 3,505 |
| | 3,358 | 1,357 | 2,650 | **7,365** | 6,365 |
| New endowments | 469 | - | 412 | **881** | 1,309 |
| Investment income | 69 | 26 | 51 | **146** | 82 |
| Expenditure | (27) | - | (167) | **(194)** | (137) |
| (Decrease)/Increase in market value | (19) | (9) | (8) | **(36)** | (254) |
| **Total comprehensive income for the year from endowments** | 492 | 18 | 287 | **798** | 1,000 |
| **Balance at 31 July** | **3,850** | **1,375** | **2,937** | **8,163** | 7,365 |
| **Represented by** | | | | | |
| Capital | 3,074 | 1,349 | - | **4,422** | 3,981 |
| Accumulated income | 777 | 26 | 2,937 | **3,740** | 3,384 |
| | **3,850** | **1,375** | **2,937** | **8,163** | 7,365 |
| **Analysis by purpose** | | | | | |
| Lectureships | 215 | - | - | **215** | 60 |
| Scholarships and bursaries | 2,512 | - | 871 | **3,384** | 2,507 |
| Research support | - | - | 1,323 | **1,323** | 2,203 |
| Prize funds | 610 | - | 45 | **655** | 262 |
| General | 513 | 1,375 | 698 | **2,586** | 2,333 |
| | **3,850** | **1,375** | **2,937** | **8,163** | 7,365 |
| **Analysis by asset** | | | | | |
| Current and non-current asset investments | | | | **4,093** | 4,037 |
| Cash & cash equivalents | | | | **4,069** | 3,328 |
| | | | | **8,163** | 7,365 |

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 20 Restricted reserves

| | Unspent capital grants £'000 | Donations £'000 | 2018 total £'000 | 2017 total £'000 |
|---|---|---|---|---|
| **Group and College** | | | | |
| New donations | - | 936 | **936** | 1,515 |
| Expenditure | - | (408) | **(408)** | (401) |
| **Total comprehensive income for the year from restricted reserves** | - | 528 | **528** | 1,114 |
| Balance at 1 August | 100 | 104 | **1,317** | 204 |
| **Balance at 31 July** | **100** | **632** | **1,845** | 1,317 |
| **Analysis by purpose** | | | | |
| Scholarships and bursaries | | | **724** | 280 |
| Research support | | | **101** | 101 |
| Prize funds | | | - | 1 |
| Buildings Fund | | | **681** | 650 |
| General | | | **339** | 285 |
| | | | **1,845** | 1,317 |

### 21 Current investments

| | Year ended 31 July 2018 | | Year ended 31 July 2017 | |
|---|---|---|---|---|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Short term deposits | 35,255 | 35,255 | 41,108 | 41,108 |
| | **35,255** | **35,255** | 41,108 | 41,108 |

### 22 Cash and cash equivalents

| | Balance at 1 August 2017 £'000 | Cash Flows £'000 | Balance at 31 July 2018 £'000 |
|---|---|---|---|
| **Group** | | | |
| Cash and cash equivalents | 22,712 | (285) | **22,427** |
| | 22,712 | (285) | **22,427** |
| **College** | | | |
| Cash and cash equivalents | 22,479 | (331) | **22,148** |
| | 22,479 | (331) | **22,148** |

## 23 Capital and other commitments

| | Year ended 31 July 2018 | | Year ended 31 July 2017 | |
|---|---|---|---|---|
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Capital commitments contracted for but not provided for in the accounts | 8,021 | 7,841 | 4,237 | 4,237 |
| Capital commitments not contracted for and not provided for in the accounts | 1,714 | 1,564 | - | - |
| | 9,735 | 9,405 | 4,237 | 4,237 |

## 24 Lease obligations

Total rentals payable under operating leases:

| | Year ended 31 July 2018 | | | Year ended |
|---|---|---|---|---|
| | Land & buildings | Other leases | Total | 31 July 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Payable during the year | 364 | 24 | 388 | 337 |
| **Future minimum lease payments due:** | | | | |
| Not later than 1 year | 294 | 8 | 302 | 389 |
| Between 1 and 5 years | 722 | 4 | 726 | 1,028 |
| **Total future lease payments due** | 1,016 | 12 | 1,028 | 1,417 |

## 25 Subsidiary undertakings

The College owns 100% of the shares of its subsidiary, Birkbeck College (Cambridge House) Ltd. The principal activity of the company is to own and develop a building on the Euston Road. The company is registered in England.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

### 26 Related party transactions

All Governors and senior staff of the College are required to complete an annual statement detailing any significant personal links they have with other organisations. Due to the nature of our business and the composition of the Board of Governors (being drawn from a range of private and public sector organisations) it is inevitable that transactions will take place with organisations in which a Governor or senior member of staff may have an interest. All transactions are conducted at arms length in accordance with the financial regulations of the College.

Included in the financial statements are the following transactions between the College and related parties.

| | Income | Expenditure | Balance due to/from Birkbeck at 31 July 2018 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| UCL | 2,438 | 769 | 1,328 |

The consolidated financial statements do not include the income and expenditure of Birkbeck Students' Union as the College does not exert control or dominant influence over policy decisions. A grant of £360,000 (2016/17: £264,000) was provided to the Union. There were no debtor or creditor balances outstanding at the year end.

### 27 Pension schemes

Different categories of staff were eligible to join one of two pension schemes:
• Universities' Superannuation Scheme (USS)
• The Superannuation Arrangements of the University of London (SAUL)

Both schemes are defined benefit schemes, the assets of which are held in separate trustee administered funds.

The total cost charged to the Statement of Comprehensive Income and Expenditure was:

| | Year ended 31 July 2018 | Year ended 31 July 2017 |
|---|---|---|
| | £'000 | £'000 |
| USS | 7,237 | 6,843 |
| SAUL | 1,550 | 1,475 |
| | 8,787 | 8,318 |

Different categories of staff were eligible to join one of two pension schemes:
• Universities' Superannuation Scheme (USS)
• The Superannuation Arrangements of the University of London (SAUL)

Both schemes are defined benefit schemes, the assets of which are held in separate trustee administered funds.

## 27 Pension schemes (continued)

### (i) The Universities' Superannuation Scheme (USS)

Prior to 31 March 2016, the scheme was a defined benefit only scheme which was contracted out of the State Second Pension (S2P). From 1 April 2016 defined benefit schemes could no longer opt out of the S2P. A defined contribution section was introduced in October 2016. The fund is independently administered by trustees. Due to the mutual nature of the scheme, the assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is, therefore, exposed to actuarial risks associated with the employees of other institutions and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Consequently, and as required by Section 28 of FRS 102 “Employee benefits”, the College accounts for the scheme as if it were a defined contribution scheme.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The members of USS have entered into an agreement with the scheme trustees which determines how they will fund the net pension deficit in the scheme. The accounting principles pertaining to multi-employer schemes require the College to recognise the contributions payable that arise from the agreement (to the extent that they relate to the deficit) as a liability in the Balance Sheet. The resulting expense is recognised in Statement of Comprehensive Income and Expenditure. College governors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and have, therefore, recognised as a liability the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available complete actuarial valuation of the scheme was at 31 March 2014 (“the valuation date”). The valuation was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed. Since the College cannot identify its share of the scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

In accordance with the requirements of the SORP, the College currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain.

The 2017 actuarial valuation of USS has been undertaken but this has not yet formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the College, as the 2017 valuation has not formerly completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards to future deficit contributions and their duration. The College expects to have greater clarity in this respect during the next financial year.

## Notes to the Accounts (continued)
## for the year ended 31 July 2018

**27 Pension schemes (continued)**

The 2014 valuation was the third valuation for USS prepared under the scheme-specific funding regime introduced by the Pensions Act 2004. The Act requires schemes to adopt a statutory funding objective to have sufficient and appropriate assets to cover the technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion. This results in a net shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

The defined benefit liability for the scheme has been produced using the following assumptions:

| | 2018 | 2017 |
|---|---|---|
| Discount rate | **2.6%** | 2.6% |
| Pensionable salary growth | **n/a** | n/a |
| Pension increases | **2.0%** | 2.4% |

Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality: 98% of S1NA ["light"] YoB tables – no age rating
Female members' mortality: 99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

| | 2018 | 2017 |
|---|---|---|
| Males currently aged 65 | **24.5** | 24.4 |
| Females currently aged 65 | **26.0** | 26.6 |
| Males currently aged 45 | **26.5** | 26.5 |
| Females currently aged 45 | **27.8** | 29.0 |

Financial data for the scheme can be summarised as follows:

| | 2018 | 2017 |
|---|---|---|
| Total scheme assets | **£63.6bn** | £60.0bn |
| Total scheme liabilities | **£72.0bn** | £77.5bn |
| FRS 102 total scheme deficit | **£8.4bn** | £17.5bn |
| FRS 102 total funding level | **88.0%** | 77.0% |

27 Pension schemes (continued)

(ii) The Superannuation Arrangements of the University of London (SAUL)

The scheme is a centralised defined benefit scheme which, until 31 March 2016, was contracted out of the State Second Pension (S2P). From 1 April 2016 defined benefit schemes could no longer opt out of the S2P.

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a final salary basis or a career average revalued earnings ("CARE") basis. Following a consultation with members, it was agreed that the final salary section would close from 31 March 2016 and all members would subsequently build up benefits on a CARE basis.

The College is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of the scheme, but in the event of an insolvency event of any participating employer, the amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the subsequent actuarial valuation.

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the trustees in paying SAUL's benefits as they fall due (the "Technical Provisions"). The trustees adopt assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from members' accrued pension rights to be met.

The assumptions used to calculate the Technical Provisions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were reviewed at SAUL's next formal valuation in 2017. The valuation confirmed that there is no deficit to correct and as a result no further recovery plan contributions or provision is required.

The trustees and employers agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). As a result the overall level of the employers' contributions increased from 13% of salaries to 16% of salaries with effect from 1 April 2016.